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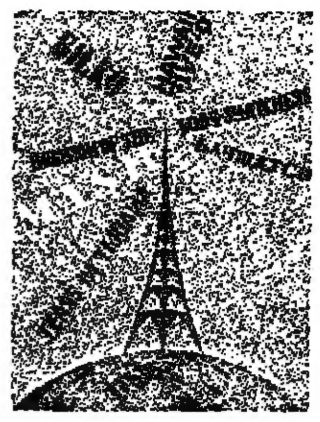
A revolution in the Russian airwaves



FINANCIAL TIMES

Europe's Business Newspaper FRIDAY OCTOBER 2 1992 D8523A

US report attacks Bank of England role in BCCI affair

The Bank of England was yesterday accused in a US Senate report of "wholly inadequate" regulation of the Bank of Credit and Commerce International and of withholding information about BCCI's frauds for 15 months before it ordered the bank to be closed.

Massachusetts Senator John Kerry, above, and Senator Hank Brown of Colorado, who led a four-year investigation into the BCCI affair, said the Bank of England "colluded in the suppression of the true facts concerning BCCI's financial status and its involvement in fraud". Page 18; Background and details, Page 9

Boost sought for lira: The Italian government said it had begun discussions with its EC partners on a special stand-by loan to boost the lira and sustain confidence in a planned early return to the European Monetary System. Page 18

Iraq loans case halted: A US judge halted hearings against Christopher Drogoul, former Atlanta branch head of Italy's Banca Nazionale del Lavoro, and said he would order a full-scale trial. The bank made more than $5bn of illegal loans to Iraq. Page 8

Indian securities scandal: Standard Chartered Bank admitted it knew its Indian banking operations could be infringing regulations 18 months before a wide-ranging securities scandal erupted in India in May this year. Page 18; Background, Page 6

Westpac directors quit: Sir Eric Neal, chairman of Westpac Banking Corporation, Australia's biggest bank, resigned with four long-serving directors in the face of criticism from the markets and financial institutions. They accepted responsibility for heavy losses and bad debts. Background, Page 22; Observer, Page 17

British Airways has had to delay its $750m purchase of a 44 per cent stake in USAir, sixth-largest US carrier because of uncertainty over the outcome and consequences of the US presidential election. Page 19

EC and US split on oilseeds: The European Community refused to accept binding arbitration in its oilseeds subsidy row with the US, prompting a crisis of confidence in the Gatt trading system. Page 4

Bosnian children's toll: Nearly 1,500 children have been killed and 6,500 are missing in the six-month war in Bosnia, say Bosnian officials. Page 2

Peugeot, French carmaker which also includes Citroën, managed a 2.2 per cent first-half rise in net profits to FFr2.32bn ($480m) and warned that the outlook for the rest of the year was gloomy.

Lift for Japan's banks: A stronger yen and higher stock prices pushed Japan's leading banks above an 8 per cent capital-to-assets ratio at the close of the first half. Page 19

Angola poll: President Jose Eduardo dos Santos and his ruling MPLA party established a substantial lead in Angola's first democratic elections based on early provisional results. Praise for Angola, Page 3

Express crash: The Istanbul-Munich express and a freight train crashed head-on near Lyubimets station, 150 miles south-east of Sofia. At least seven people were feared killed.

No-confidence vote: Ukraine's parliament voted 295-6 in favour of a no-confidence motion which, under the constitution, forces the government of the former Soviet republic to resign.

Air France, French state-owned carrier, announced a further 1,500 job cuts to take effect next year and worse-than-expected first-half losses of FFr1.6bn ($310m). Page 19

Water shares dip: UK water company shares dropped sharply after Ofwat, the water industry regulator, decided to seek a 2 per cent cut in 1993-94 water charges from 19 companies. Page 12; Lex, Page 16

Dutch Master may fetch £6.5m: One of the masterpieces of the "golden age" of Dutch painting, The Courtyard of a House in Delft by Pieter de Hooch, is expected to fetch up to £6.5m when it is auctioned at Christie's in London.

■ STOCK MARKET INDICES		
FT-SE 100:	2,572.3	(+19.3)
Yield	4.87	
FT-SE Eurotrack 100	1,006.01	(+2.57)
FT-A All-Share	1,213.65	(+0.6%)
Nikkei	17,368.91	(−29.17)
New York: lunchtime		
Dow Jones Ind Ave	3,267.88	(−3.78)
S&P Composite	417.12	(−0.66)

■ US LUNCHTIME RATES	
Federal Funds:	3½%
3-mo Treas Bills: Yld	2.654%
Long Bond	99 11/32
Yield	7.298%

■ LONDON MONEY		
3-mo Interbank	9 1/16%	(same)
Liffe long gilt future:	Dec 96 13/32	(Dec 97¼)

■ NORTH SEA OIL (Argus)		
Brent 15-day (Nov)	$20.45	(+0.15)

■ Gold		
New York Comex	$347.5	(347.8)
London	$348.25	(348.85)

■ STERLING		
New York lunchtime:		
$	1.736	
London:		
$	1.7365	(1.7815)
DM	2.475	(2.5175)
FFr	8.365	(8.52)
SFr	2.1625	(2.2)
Y	208.5	(213.75)
£ Index	82.7	(83.7)

■ DOLLAR		
New York lunchtime:		
DM	1.4227	
FFr	4.8125	
SFr	1.24325	
Y	119.78	
London:		
DM	1.4255	(1.4135)
FFr	4.8175	(4.7825)
SFr	1.245	(1.2355)
Y	120	(119.95)
$ Index	60.3	(60.1)
Tokyo close Y 120.32		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp5900	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr16.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

UK PM takes on Euro-sceptics pledging to push ahead with ratification of treaty

Major set for battle with rebels

By Philip Stephens, Political Editor, in London

MR JOHN MAJOR, the UK prime minister, last night set the stage for a bloody confrontation with his party's Euro-sceptics by pledging to push ahead with ratification of the Maastricht treaty.

In a determined move to re-establish his political authority Mr Major tempered his challenge to Tory rebels by re-emphasing that sterling's re-entry to the European exchange rate mechanism was on indefinite hold.

Mr Major's clear response to charges that the government's European policy was adrift came after a day in which the FT's publication of the Bundesbank's defence of its record during the sterling crisis, sparked a furious diplomatic row.

The prime minister said he wanted now to "draw a line" under disputes with Germany.

He rejected calls from the Mr John Smith, the leader of the Labour party, for the resignation of Mr Norman Lamont, the chancellor, in the wake of the Bundesbank's insistence it had met its obligations to defend sterling in the ERM.

Earlier the Foreign Office had summoned the German ambassador to receive a formal protest against the embassy's decision to pass the statement to the FT.

But after an "expression of regret" by the Bundesbank over the incident, Mr Major indicated that his priority was to re-establish good relations with Bonn. That sentiment was echoed by Mr Klaus Kinkel, the German foreign minister, who last night called for calm in Germany's relations with Britain.

Senior ministers said that it would be more than a year – and possibly as long as two – before the pound is put back in the ERM. But Mr Major is not ruling out tax increases next year if a tighter fiscal policy is needed to underpin the government's anti-inflation strategy.

In visibly combative mood after securing cabinet agreement to re-assert the commitment to keep Britain at the "heart of Europe", Mr Major said he wanted a full-scale debate on Maastricht after the Birmingham summit scheduled for October 14.

Despite claims by the Euro-sceptics that he risks civil war on the Tory backbenches, the prime minister indicated that the full force of the party machine would be used to secure a majority for the legislation. He added: "It is certainly the intention to pass the Maastricht Bill during this session of Parliament."

The prime minister's high-risk decision to defy the Euro-sceptics – for which he demanded and received the support of each and every cabinet minister – is designed to fill the vacuum in foreign policy left by the ERM debacle. It also aims to rebut charges from friends as well as enemies that Mr Major has failed to give a clear lead during the ensuing turmoil.

He left no doubt of his determination to get the treaty through which he said last December had represented "game, set and match" for Britain: "I don't think that, upon reflection, the Commons will think it appropriate for a British prime minister to negotiate a bill, agree a bill and then abandon it – and I don't propose to do so".

That comment came after he had told colleagues that unless Britain ratified Maastricht it would not be able to secure concessions in negotiations with its European partners. He told the cabinet that nothing less than "the credibility of Britain" was at stake over the treaty.

Mr Major is aware that the move will provoke a series of damaging rows at next week's Conservative party conference, where the Euro-sceptics are promising to mobilise grass-roots opposition to Maastricht. But yesterday Lady Thatcher indicated that she would not use a planned visit to the Brighton conference to launch a direct attack on her successor in Downing Street.

The prime minister is much more optimistic of securing a deal with other EC leaders at the Birmingham summit on a declaration committing them to much

Continued on Page 18

Summoned: Hermann von Richthofen, the German ambassador, goes to the Foreign Office to receive a protest over the Bundesbank statement Photograph, Lydia van der Meer

UK-Germany rift pushes £ down

By James Blitz, Economics Staff, in London

STERLING dropped nearly five pfennigs against the D-Mark yesterday as foreign exchange dealers were thrown into confusion by the new rift between the UK Treasury and the Bundesbank.

The emergence of a new fault-line in Anglo-German relations pushed the pound down to DM2.4770 against the D-Mark in Asian trading on Wednesday night and the currency bottomed out at DM2.4680 in Europe yesterday.

The pound later closed in London at DM2.4750, down 4¼ pfennigs on the day and 16 per cent below its former central parity in the exchange rate mechanism of DM2.95. Against the dollar, it closed down nearly 5 cents at $1.7365. Dealers believe the immediate outlook for sterling and other European currencies depends on whether the Bundesbank cuts interest rates at its council meeting today.

Earlier this week, a member of the central bank's council said there would be no German rate cut for six months. But a gradual reduction this week in the rates at which the Bundesbank deals in the German money market has fuelled new optimism. A number of leading participants in the foreign exchange market predicted yesterday that sterling would fall further in the absence of a German rate cut and any clarification of UK economic policy.

"Until this latest row, I had pencilled in a low of DM2.40," said a leading currency fund manager in London yesterday. "But colleagues now believe sterling could drop to DM2.30 unless a coherent UK economic strategy materialises."

The unrelieved strength of the D-Mark kept the Spanish peseta close to its ERM floor and Spain's government was forced to deny rumours of another devaluation of its currency. The peseta closed against the D-Mark at Pta70.42, close to its ERM floor of Pta72.62.

Sterling's weakness has triggered new fears of a devaluation of the Irish punt, which rose to a historic high of £1.055 yesterday. Irish officials have said the punt should not strengthen above £1.05 because of the close trading relationship between the UK and Ireland.

World Stocks, Section II Back Page

Hongkong Land buys stake in Trafalgar

By Roland Rudd

HONGKONG LAND, one of the colony's leading property investment and development companies, yesterday acquired 14.99 per cent of Trafalgar House, the UK property, engineering and construction group.

It immediately announced that it was going to tender for another 15 per cent of Trafalgar's shares and would seek to place representatives on the board.

Hongkong Land said its intention was to remain a minority shareholder and not to make an offer to acquire Trafalgar's remaining shares for at least 12 months unless there were "material changes of circumstances".

These could include an indication by Trafalgar's board that it would welcome such an offer, or a bid from a third party.

Trafalgar's ordinary shares yesterday rose 29p to 89½p and its A shares 28½p to 86p. Hongkong Land paid 85p per ordinary share and 82p per A share. Trafalgar's advisers believe Hongkong Land has set a floor of 85p for its ordinary shares which recently fell to 50p.

Sir Eric Parker, Trafalgar's chief executive, said: "To try and get control of a company by buying up to a third of its shares at depressed prices is not the way we do things here."

Trafalgar said the price paid by

Continued on Page 24
Plodder's surprise step, Page 31

Key US economic index falls steeply

By Michael Prowse in Washington

A PLUNGE in the US Purchasing Managers' Index, a closely watched indicator of business conditions, yesterday heightened speculation that the Federal Reserve may soon be forced to cut interest rates again to prevent the economy sliding back into a semi-recession.

The index fell 4.7 points to 49 per cent last month, taking it below the psychologically significant 50 per cent level for the first time since January. A reading below 50 per cent indicates that the manufacturing sector is contracting.

The much sharper than expected decline mainly reflected heightened pessimism about the outlook for US industrial orders.

Separately, the Commerce Department reported a 0.8 per cent fall in construction spending in August, the largest monthly decline since November 1991 when a full-blown recession was underway. Claims for state unemployment insurance jumped 15,000 to 429,000, far above the levels normally consistent with economic recovery.

The bleak figures – which followed recent reports of sharp declines in home sales, consumer confidence, industrial orders and personal incomes – prompted a sharp gain in bond prices on anticipation of another easing move by the Fed.

They also left analysts apprehensive ahead of the release today of an employment report that could seriously dent President George Bush's re-election hopes. Most analysts expect a politically embarrassing rise in the unemployment rate, now 7.6 per cent nationally, perhaps into double figures in some depressed states such as California. Non-farm employment is expected to fall by about 75,000, after a big drop last month, although the figures will be distorted by the ending of a temporary federal summer jobs programme.

A sharp decline in employment could spark another interest rate cut, although the Federal Reserve will be wary of cutting the discount rate, currently 3 per cent, for fear of undermining the dollar. Many analysts, however, believe the Fed may signal a quarter point cut to 2.75 per cent in the federal funds (or overnight inter-bank) rate in the next few days.

The most worrying aspect of the purchasing managers' report was a collapse in the component of the index measuring the strength of new orders. This fell from 59.8 per cent in August to 49.6 per cent last month.

Mr Robert Bretz, a spokesman for purchasing managers, said the plunge indicated the "manufacturing sector could no longer sustain growth". The "economic malaise will likely continue," he predicted.

Mr Leonard Santow, partner in the Wall Street firm Griggs and Santow, said the figures were likely to prompt "more and more discussion of a triple dip recession". The employment outlook was "pretty ugly" and the economy was likely to register "barely positive growth" in the third quarter.

CONTENTS

Figures of casualties from Bosnian fighting likely to be underestimates

10,000 children dead or missing

By Laura Silber in Zagreb and Reuter in Sarajevo

NEARLY 10,000 children have been killed or have vanished in the six-month war in Bosnia, according to figures published yesterday by Bosnian officials.

Mr Arif Smajkic, director of the Bosnian crisis centre in Sarajevo, said 1,447 children were known to have been killed and about 8,500 were missing. He told journalists 14,364 people had died and 57,000 had been reported missing since April.

However, even these figures are believed to be underestimates, because they were compiled mainly in Moslem and Croat-held areas and do not reflect Serb casualties in Serb-held territories.

In Sarajevo alone, a city under siege for five months, 730 children had disappeared without trace, the centre said.

Reflecting the savagery of the fighting, 47,284 people had been seriously wounded, including 12,080 children, and 78,500 slightly injured, 11,775 of them children. Some 80 per cent of victims were civilians, many of them refugees.

About 1,600 prisoners were due to be released from Trnopolje, a Serb-run detention camp in northern Bosnia, yesterday. United Nations officials said the prisoners were to travel in buses provided by the self-proclaimed Serb republic of Bosnia to the Bosnian border with Croatia, where they would be escorted by the UN Protection Force to Karlovac, southwest of Zagreb.

The unilateral prisoner release is seen as a public relations effort by Mr Radovan Karadzic, the leader of Bosnian Serb forces, who control some two-thirds of Bosnian territory.

Meanwhile Lady Chalker, the UK minister for overseas development, yesterday was due to deliver a consignment of medical aid worth £280,000 during a visit to Split, the Croatian port, and Mostar, the heavily damaged city in western Bosnia-Hercegovina, according to HINA, the Croatian news agency.

Meanwhile, a senior UN official accused Serbs yesterday of terrorising and purging minorities in territory they control in eastern Croatia.

"We are seeing a return to terrorism and the worst practices of ethnic cleansing," Mr Cedric Thornberry, deputy commander of the United Nations Protection Force, told a news conference.

UN officials said the rise in violence began in recent weeks after Croatian authorities said refugees driven from eastern Croatia would try to march back to their homes. The march was called off.

● Reuter adds from Washington: The US Senate voted on Wednesday to authorise $50m in military aid to Bosnia in a signal of frustration and anger at new reports of massacres and aggression by Serbian attackers.

The aid for Bosnia – military materiel from Defence Department stocks – would be conditional on lifting of a UN ban on supplying arms to the combatants and US allies being prepared to join the aid effort.

Italians get toughest budget since 1950s

Prime minister Giuliano Amato is weary but confident, says Robert Graham in Rome

AFTER a gruelling all-night cabinet session approving Italy's 1993 budget, Prof Giuliano Amato, the prime minister, announced with weary confidence: "We have done what is necessary to return to the tracks from which we have been derailed." His message was brief but clear. It is now up to parliament to approve as soon as possible the toughest budget Italy has faced since the "economic miracle" began in the fifties.

In theory parliament has till the end of the year to amend or endorse the budget. But with the lira under continued pressure floating outside the European Monetary System early approval of the budget will provide a key signal from Italy's fractured political parties that the country is willing to make a serious effort to tackle its huge public sector deficit. If unchecked the deficit could reach over 14 per cent of GDP within a year.

Approval of the budget also conditions the timing of Italy's re-entry into the EMS which Prof Amato said yesterday he would like to see as soon as possible. The prime minister refrained from imposing a timetable on parliament yesterday; nor did he repeat his threat to resign if the budget is watered down. However, he has made this abundantly clear and one reason behind the seven hour cabinet session was an attempt to ensure the full loyalty of all the four parties in the government coalition.

At several stages reports leaked out of threatened ministerial resignations but the cabinet has remained intact. The government appears confident, of being able to push the budget through and ride out a continuing wave of union protest. Today all public employers will observe a four-hour stoppage to protest cuts in pensions and the health service.

The move to seek a special balance of payment loan from the EC, announced with the budget, could also prove a clever tactical move. Access to the loan is intended to provide a framework of external discipline, in the form of EC monitoring of the budget, which the government can invoke if parliament threatens to water down the proposed cuts.

Despite strong pressure from several different lobbies, the budget has differed little from that outlined on September 17. The main aim is to raise L93,000bn in fresh revenues and spending cuts, so holding the public sector deficit down to L150,000bn, over 10.5 per cent of GDP.

All public sector spending is being frozen at 1992 levels

The proposals are framed against the background of reforms in the four areas - pensions, the health service, the civil service and regional administration and local authorities. The savings will be cumulative over three to four years and will provide the basis of the government's strategy to reach a public sector deficit equivalent to 3.5 per cent of GDP by 1996.

Ministers say that although the budget will not reduce the public sector deficit next year, it will hold it down in constant terms. There will be a primary surplus (net of interest payments of L200,000bn) of around L50,000bn. Interest payments themselves will be conditional on interest rate levels; but the authorities hope these can be reduced once the budget is approved. Each percentage point drop will save L15,000bn in a full year.

All public sector spending is being frozen at 1992 levels, which on an inflation projection of 4.5 per cent for 1993, indicates a real decline. All ministries will be affected and some of the hardest bargaining in recent days has been over the sizeable health and education cuts.

On the revenue side, much will depend upon whether the 1.5 percent projection for economic growth materialises.

The budget, if implemented in its present form against a background of high interest rates, will force the economy into recession, according to several prominent economists.

The shake-up of the state sector and declining industrial profits also suggests an increase in unemployment. To this end the government yesterday set aside L1,800bn over the next three years to aid employment schemes.

The government also decided to introduce by decree with immediate effect a special tax of 7.5 per 1,000 lire on the net worth of all registered companies.

This one-off measure which is expected to cost a group like Fiat some L670bn. It will raise a total of L6,000bn and also affects for the first time small companies.

As a political measure there is also a tax on luxury goods like aircraft and expensive cars. In this way the government has done its best to try and spread the burden of sacrifice evenly.

Rouble's sharp fall continues

By John Lloyd in Moscow

THE Russian rouble dropped sharply again yesterday in interbank trading in Moscow, from the previous record low of 254 to the new low of 309 to the dollar.

The latest sharp fall means a drop in the rate for September of nearly Rbs100 – from Rbs210.5 on September 1 to Rbs309 yesterday.

Mr Victor Gerashchenko, the Russian Central Bank chairman, told the Interfax news agency that the issue of again fixing the rate of the rouble against hard currencies would be discussed with the government in the next month.

The rouble fell yesterday as citizens were for the first time able to collect vouchers with a face value of Rbs10,000 entitling them to buy shares in companies to be offered for auction. In Moscow, the response was sluggish.

The September revolution, Page 16

Traders on the Moscow commodities and futures exchange shout bids for privatisation voucher futures yesterday

Czechoslovak opposition rejects proposal for constitutional break-up of federation

By Ariane Genillard in Prague

THE Czechoslovak federal parliament yesterday rejected a governmental proposal for a constitutional break-up of the federation into two republics, dashing political hopes that the divorce between Czechs and Slovaks would be fast and clean.

The bill, which set out four legal alternatives for dissolving the federal state, was blocked by opposition parties asking that the decision be first put to the people in a referendum.

The rejection highlights the lack of political consensus behind the post-electoral agreements reached by Mr Vaclav Klaus, the Czech prime minister, and Mr Vladimir Meciar, his Slovak counterpart.

The leaders had agreed, in their post-electoral negotiations, to find an expedient way to dissolve the federal state by January 1, 1993.

They said they would favour a parliamentary declaration ending the federation rather than a referendum, the outcome of which is far from certain.

Recent opinion polls show both Czechs and Slovaks equally divided over whether Czechoslovakia should be dissolved.

But opposition parties, which feel they have been left out of the negotiating process, yesterday refused to lend their votes to reach the three-fifths majority needed to adopt a constitutional law.

The ruling parties and the opposition will now have to work out a difficult compromise, which could possibly consist of a parliamentary declaration to be ratified in a referendum.

Difficult negotiations also lie ahead as Czech and Slovak leaders attempt to divide federal properties.

While Czechs would like to split the assets based on the territory on which they stand, Slovaks have called for financial settlements in cases, such as the military infrastructure, where most properties are in the Czech lands.

Romania angered by US vote

By Virginia Marsh in Bucharest

ROMANIA yesterday accused the US Congress of "regrettable and unjustified discrimination" in denying the country most favoured nation (MFN) status.

The House of Representatives' decision, taken on Wednesday, was a "political and economic handicap" and showed the house under-estimated the extent of reform in Romania, a statement issued by the Romanian Foreign Ministry said.

The business and financial communities, still coming to terms with last Sunday's general election, also reacted with dismay.

"We feel isolated. There is now a clear struggle in Romania between reformers and reactionaries and this decision is counter-productive to those favouring reform, said Mr Daniel Daianu, chief economist of the National Bank (the central bank) which has pioneered many of Romania's most far-reaching reforms.

The comments came as the Democratic Convention, Romania's main coalition of opposition parties, claimed to have proof of serious electoral fraud and asked for voting in Dolj County to be annulled.

MFN status has previously been withheld by the Bush administration due to doubts about Romania's commitment to democracy, but the clause was submitted to Congress for approval once the US was satisfied that last February's local elections had been held freely and fairly.

Pressure builds for Europol to replace Interpol

By Andrew Hill in Brussels

AN unlikely alliance of US law enforcers, Flemish politicians and police officials, is pressing for Europol, the proposed EC criminal intelligence agency, to replace Interpol as a credible international crime-fighting network.

In Brussels yesterday, Mr Gerald Arenberg, executive director of the US National Association of Chiefs of Police, and Mr Quinlan Shea, a former advisor to the US department of justice, said leaks of information on terrorism and drug trafficking had discredited Interpol. Several top Interpol officials have been convicted of drug-trafficking over the last five years.

"They say you can't make a silk purse out of a sow's ear: well, we need a silk purse international criminal intelligence agency, and Interpol is always going to be at least partly pig," said Mr Shea.

Mr Willy Kuijpers, a member of the Belgian parliament's upper chamber, said Europol should be subject to democratic control and data protection principles.

A Strasbourg-based team of EC police officials is in the early stages of setting up Europol, which is supposed to start work by the beginning of next year. But there is still much debate among EC member states as to what it should do.

Participants in yesterday's debate admitted that it was a long way from becoming a full alternative to Interpol. "We have hopes for Europol as a start, mainly because we have no hopes for Interpol," said Mr Shea.

France offers talks with UK on nuclear weapons

By David Buchan in Paris

FRANCE is ready to start talks with Britain on "a European deterrence doctrine" covering the future wider role of nuclear weapons held by the two states, Mr Pierre Bérégovoy, the French prime minister, said yesterday.

This is the most explicit statement of the new shift in French strategy, first hinted at by President François Mitterrand in January and repeated this week by Mr Pierre Joxe, the defence minister.

Paris appears to have abandoned the Gaullist-era rationale that French atomic arms were for the defence of France alone. It has conceded its European neighbours might have a legitimate interest in how France develops its nuclear weapons strategy, and even appears to be quietly vaunting an eventual nuclear dimension to a common European defence policy, as foreshadowed in the Maastricht treaty.

Winding up a three-day European defence seminar, Mr Bérégovoy said discussions between France and the UK would be "a useful first step". But he cautioned that development of anything as sensitive as a new nuclear doctrine would take even longer than those under way on the planned "Euro-corps" of French and German troops.

The French government does not appear to have in mind any joint control, operation or targeting of French and UK nuclear weaponry. But one aim might be the creation of a nuclear consultative group in the Western European Union (WEU) to discuss the general role of European-held nuclear weapons, their relationship to conventional defence and their use in a crisis.

Mr Malcolm Rifkind, the UK defence secretary, told the same Paris seminar on Wednesday that he welcomed the idea of discussions on a European nuclear doctrine.

But he did not see as much scope for a European "division of labour" with the US on nuclear policy as in conventional defence. It was not realistic to think that "there could be a major conflict in Europe in which the question of nuclear use arose which did not involve the vital interests of all the allies, including the US", he cautioned.

However, he believed there should be "more explicit emphasis on the progressive merging of interests between the Western European nuclear powers and their non-nuclear partners and allies".

Bulgarian reforms win OECD praise

By Anthony Robinson

BULGARIA has made considerable progress towards market-oriented reforms but is still far from reaching sustainable macro-economic stability, the Organisation for Economic Co-operation and Development (OECD) says in its first report on the highly indebted former communist state.

Since it embarked on market reforms in February 1991, goods have become more widely available at higher prices, freedom of choice and the scope for entrepreneurial activity have increased dramatically, inflation has been contained and export growth to the OECD has been high.

But these achievements remain fragile, the report warns.

"Sustainable macro-economic stability remains hostage both to progress with structural reforms and to a solution of the external debt problem."

Bulgaria declared a unilateral moratorium on its $9.2bn foreign debt in June 1990.

The borrowings were partly used to import components from the west for incorporation into exports to soft-currency Comecon or third world markets. The country's high exposure to such trade made it particularly vulnerable to the collapse of Comecon, the Soviet bloc trading group.

Over the medium term, the reports says, Bulgaria will attract official capital inflows, foreign investment and trade credit only if a satisfactory solution is found to the external debt problem.

This would be one based on "a voluntary arrangement involving compromises on both creditor and debtor sides".

Kravchuk on defensive

By Chrystia Freeland in Kiev

THE increasingly assertive Ukrainian parliament last night passed a vote of no confidence in the country's communist-dominated government.

The decision, opposed by Mr Leonid Kravchuk, the president, is being hailed by opposition leaders as an opportunity to begin economic reforms in Ukraine.

Parliament's vote by an overwhelming 295 to six came as a postscript to Wednesday's resignation of Mr Vitold Fokin, the Ukrainian prime minister. Mr Kravchuk tried to limit the damage by urging parliament to accept Mr Fokin's resignation but leave his like-minded cabinet in place.

However, parliamentarians defied their president and voted to oust the entire cabinet. They gave Mr Kravchuk 10 days to select a new prime minister, and another 10 days to form a new cabinet before presenting it to parliament for ratification.

Turkish government discards the velvet glove

John Murray Brown reviews prospects for political reform as Ankara changes tactics in dealing with Kurdish rebels

DEMOCRATIC reform in Turkey was always going to be difficult to administer while the Kurdish rebels pursued their campaign for a separate state. But after this week's fighting, Turkey's fragile coalition appears to have abandoned any hope of a political solution to the eight-year-old Kurdish conflict.

Turkey's Kurdish civil war reached a new level of violence this week, with government claims that more than 150 guerrillas of the Kurdish Workers party (PKK) were killed in a clash with security forces at Semdinli, near the border with Iraq. The deaths of government troops, guards and civilians brought the toll to over 200.

Last week's resounding vote of confidence for the interior minister's handling of the crisis was probably decisive in the government's decision to mount what appears to be one of the largest military operations against the PKK. But with more than 1,700 people killed this year, a government response has been on the cards for some months.

News of the military operation, coupled with the increasingly hawkish statements of Mr Suleyman Demirel, the prime minister, have been almost universally welcomed at home. Nonetheless, the likely international criticism of the action will not make things easier for Turkey's allies.

The UK, as current president of the European Community, has called for an "enhanced relationship" between Brussels and Ankara. Mr Douglas Hurd, the British foreign secretary, is scheduled to meet his Turkish counterpart, Mr Hikmet Cetin, in London during Mr Cetin's visit to London, which starts on October 12. In a recent interview, Mr Hurd made clear that any improvement in ties would in part depend on the progress of reforms.

All moves on reform for the Kurdish population have been frozen. After months of deliberation, the government is set upon excluding Kurdish areas from coming under the umbrella of proposed human rights legislation which goes before parliament later this month.

The reforms envisage changes in the criminal procedure code in a bid to stamp out the widely condemned incidence of torture. The proposals are seen as a test of Turkey's commitment to western values.

However, over the weekend, Mr Demirel warned that the "security forces will be left with no authority if the same clauses are implemented in a region where the fight against terrorism is going on."

Despite their long advocacy of rights for the Kurds, Mr Demirel's social democrat partners are in no mood to question this analysis, preoccupied as they are with internal squabbles with the newly revived People's Republican party.

Mr Demirel is even said to be considering legal action against Kurdish deputies sympathetic to the PKK. Such a move would be roundly condemned internationally, but would no doubt win broad support among Turks.

Steps are under way to strip members of the Kurdish-backed People's Labour party (HEP) of their parliamentary immunity. The senior state prosecutor is bidding to bring them before the court on charges which carry the death penalty.

All these measures will bolster the standing of Mr Demirel's True Path party in the forthcoming local elections scheduled for November 1. However, in municipalities contested in the south east, there is every prospect that the HEP will strengthen their position in the polls, a result which would further exacerbate the already tense relations between security forces and local officials.

Mr Demirel's decision to give the military carte blanche in the fight against the PKK is a measure of how far the conflict has worsened. Approval has been given for the purchase of Black Hawk helicopters to improve the army's ability to respond to the increasing number of attacks on army frontier posts in the mountains along the borders with Iraq and Iran. Ever larger numbers of troops have also been deployed to the region.

The danger however is that the increased hostilities could play into the rebels' hands. The often brutal counter-insurgency tactics of the security forces has been a big factor in polarising opinion in a Kurdish community where the extremism of the PKK and its Marxist leader Apo Abdullah Ocalan should offer few natural attractions.

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NEWS: INTERNATIONAL

Kuwaiti election will please allies more than emir

Restoration of parliament will expose the government to fierce criticism, writes Mark Nicholson

BY MONDAY night, Kuwait's 81,400 voters will have elected a new National Assembly, at once reviving the Gulf's oldest parliament and, in western eyes, tying an appealing democratic rosette on the victory of Desert Storm.

For the US and other governments which helped evict Iraqi forces from Kuwait last year, the election result will be seen as the happy end to a job well done: Kuwait has been freed, its rulers restored and the state set fair on a democratic path which, they hope, other Gulf states will follow.

Within Kuwait, however, the election of a new parliament will represent the return to business rudely interrupted not so much by the Gulf war as by the decision of Sheikh Jaber al-Sabah, the emir, to suspend the previous assembly in 1986 for what he considered its obstructive and divisive opposition to the government.

It will mark a return, in fact, to a political tradition which Kuwait has enjoyed, with interruptions, since the late Sheikh Abdullah al-Sabah signed the country's founding 1962 constitution empowering a National Assembly with rights unknown in other Gulf emirates, sheikhdoms, sultanates or kingdoms to initiate and veto laws and to question and even remove ministers.

By western standards, Kuwait's democracy pales before the real thing. Just 13 per cent of the 606,000 Kuwaiti citizens are allowed to vote under a franchise extended only to men over 21 who can trace their lineage back to the 1920s (though this small proportion is due in part to the fact that 60 per cent of Kuwaitis are under 21). Naturalised Kuwaitis and, in particular, women, have argued bitterly for the vote during the campaign – a wish which there appears a strong national consensus eventually to grant.

Moreover, Kuwait's democratic style has a peculiarly cosy and social feel. Most campaigning takes place by night at the often lavish campaign tents of the 278 candidates vying for the assembly's 50 seats.

Thousands of voters gather there to hear candidates or huddle in discussion served, at the most opulent tents, by waiters bearing soft drinks or with buffets which would make the most profligate Wimbledon corporate host blush with humility and the most purist democrat simply blush.

But as convivial and unrepresentative as the campaign may appear, it has been fought in considerable earnest. The election of a majority, or even a sizeable minority, of government opponents could offer the ruling al-Sabah family a serious and discomfiting challenge, if not quite a true contest for power.

For the most part, Kuwait's informal opposition groups – political parties are not permitted – represent factions which pre-date the Gulf crisis, holding familiar positions which have been sharpened rather than changed by the effects of Kuwait's occupation.

Broadly, the organised opposition divides into the secular, led by the Kuwait Democratic Forum (KDF), and the religious, represented by the Sunni groupings of the moderate Islamic Constitutional Movement (ICM), the more radical Safanayeen and a smaller, coalition of candidates loosely representing Kuwait's 35 to 40 per cent Shia population.

But none of these groups is fielding more than a handful of candidates each – the KDF is fielding nine, for instance, and the Safanayeen seven. Despite long-standing attempts since liberation to co-operate more closely, candidates from these groups are in many constituencies running against each other. These organised groups are considered unlikely, therefore, to win more than their traditional small share of seats.

The opposition's success is also likely to be limited by the general conservatism of Kuwaiti voters, who in many constituencies have previously tended to vote more along tribal than ideological or religious lines. The government has been assiduous in seeking to reinforce such conservatism.

Since Kuwait's liberation, the government has written off all outstanding consumer loans, raised government salaries by 25 per cent (92 per cent of Kuwaitis are public employees), and offered KD1,000 (£2,000)grants to Kuwaitis who endured the occupation. Mr Jassem al-Saddoun, a prominent local economist, reckons the government has spent KD3.8bn on directly political public expenditure.

Most local observers therefore conclude that voters will return only a minority of outright opposition candidates. "I think about 30 per cent will be for the government, and maybe 30 per cent opposition," says Mr Abdulla Nibari of the KDF. The remainder, he suggests, will be broadly independent.

A similar mix in the previous parliament did not prevent it from sufficiently upsetting the government, largely by seeking to delve deeply into the financial affairs of certain senior ministers, for the emir to suspend the assembly in 1986. "The parliament has real powers in Kuwait, but only if the opposition can find the right issue around which to unite," says one western diplomat. "A sufficiently vocal minority on the right issue can swing the whole parliament behind it."

A build-up of frustration since 1986, combined with widespread disaffection with the government's competence before, during and since the Gulf war may well provide such issues early in the parliament. Many candidates, and not only those of the organised opposition, believe the government has for too long been held unaccountable for its policies.

"We are going to hold the government accountable for everything it has done since 1986," says Mr Jassem Qabazard, an independent running in the central Rumaithia constituency. "We are going to ask, 'What have you been doing all this time?'," he says, adding, with emphasis: "What have you been doing with our money?"

Two specific issues could bring such discontent into an early confrontation between the parliament and the government. One, which has been a hot topic in Kuwait's *diwaniyahs* (informal social gatherings) for months, is the handling of Kuwait's overseas investments.

Kuwaitis have read with dismay on the front pages of local papers about investments by the London-based Kuwait Investment Office in lossmaking Spanish industry. "We strongly feel that what happened in Spain is the responsibility of leading people in Kuwait – even some of the ministers," says Mr Ali al-Ghanem, another independent candidate.

A second issue is the government's scheme to recover billions of dollars of debt left over from the 1982 collapse of the Souq al-Manakh informal stock market crisis. Although the government recently took over the KD5.8bn of residual debt lying on the books of Kuwait's banks, it has yetto propose a convincing scheme to recover money still owing.

It was, after all, the attempts by the previous parliament to uncover who owes money and how much which prompted its suspension. Many candidates believe such an option would not be open to the emir with the next parliament – not least with US eyes watching closely. "People's attitudes in Kuwait and outside pressure will be a hindrance in this case," says Mr Nibari. Kuwait's next National Assembly could then reopen at much the same temperature as that in which the last was closed.

NEWS IN BRIEF

Russian presence splits Tajiks

TAJIKISTAN'S government was split yesterday over the presence of Russian troops sent to put down fighting in the central Asian republic, Reuter reports from Dushanbe.

Mr Abdulmalik Abdullodzhanov, the acting prime minister who heads a loose coalition of Moslems and parliamentary democrats, said the Russians should stay until the conflict was over.

"The Russian troop reinforcements came to our republic not to shoot. We invited them to establish control over the fighting," he said.

But Mr Davlat Usmon, deputy prime minister and a prominent member of the Islamic Revival Party (IRP), said he was against the deployment of Russian troops in the former Soviet republic. He said the Russian army in Tajikistan had been the main source of supply of weapons to the warring sides.

The coalition has ruled the backward, clan-dominated republic of 5m people since the ex-communist President Rakhmon Nabiyev was forced from office last month.

Russia sent reinforcements this week, saying they were needed to protect the families of the troops already there from the rival Tajik factions.

Japanese car sales down

Japanese vehicle sales were 4.4 per cent lower in September than a year ago as consumer demand continued to wane, writes Steven Butler in Tokyo.

The Japanese Automobile Dealers Association said yesterday that 466,252 vehicles were registered in September. The only rise in sales recorded was for small trucks.

A 11.2 per cent drop in sales of cars of more than 2 litres reflected the impact of the recession on spending on luxury items.

Sales of Toyota cars were virtually unchanged from last year, while Nissan sales were down 19.3 per cent. Mitsubishi sold 8.9 per cent more cars.

Piracy warnings

A 24-hour centre to counter piracy in the seas of south-east Asia has opened in Kuala Lumpur, the UK-based International Maritime Bureau announced yesterday, writes Alexander Nicoll, Asia Editor.

The centre, funded by the shipping industry, will broadcast warning messages to ships, receive warnings on suspicious movements, liaise with law enforcement agencies and provide support services after incidents of piracy.

The bureau said there had been about 200 attacks by pirates last year. As well as the danger to ships' crews, piracy could cause environmental disasters if tanker crews were tied up and unable to steer their vessels.

Ethiopia devalues

Ethiopia devalued its birr currency by 58.6 per cent yesterday in a package of reforms to shake off the legacy of 17 years of Marxist rule, Reuter reports from Addis Ababa.

The value of the birr has been 2.07 to the dollar for more than 25 years. Its new rate is 5.00 to the dollar.

COMING CLEAN: Mr Kanemaru outside his home yesterday, promising to obey the law in future

Shamed politician emerges after 35-day penance

By Robert Thomson in Tokyo

JAPAN'S disgraced political godfather, Mr Shin Kanemaru, emerged from his home yesterday after 35 days in seclusion, vowing never to break the law again, and presuming that his period of isolation will allow him to return as the power-broker of Japanese politics.

Mr Kanemaru, 78, who presides over the largest faction in the ruling Liberal Democratic party, made clear that the rites of purification are officially over, and that his violation of the Political Funds Control Law should be forgotten.

Having illegally received Y500m (£2.4m) from a scandal-tainted parcel delivery company, the "godfather", as he is known, was summarily fined only Y200,000 (£966) this week and had the luxury of drafting his confession in his Tokyo home.

By remaining at home, and out of sight for a month, Mr Kanemaru has attempted to outwit his opponents by out-waiting them. While petitions circulated calling for his resignation, the godfather stayed behind closed doors, portraying himself both as a victim of media harassment and as a repentant one-time offender.

It is customary for the accused in Japan, particularly politicians, to seek refuge in isolation, most often a "sudden illness" requiring hospitalisation. A Japanese tabloid yesterday favourably compared Mr Kanemaru's strategy to that of the "besieged samurai", waiting patiently for the enemy to exhaust its energy.

But the public outcry over his lenient treatment has yet to disappear.

A manager at a Japanese cosmetics company said he was "speechless" at the antics of Mr Kanemaru, and a 26-year-old teacher said that she and her parents had spent the last month "amazed by the arrogance" of the godfather.

Some were struck by the irony that he chose "Respect the Law Day" to make his reappearance, which followed pleas from his fellow faction members that they wanted him to remain at the helm, if only to prevent the faction from collapsing under the combined weight of the potential successors' ambitions.

Mr Kanemaru announced a month ago that he received Y500m from Tokyo Sagawa Kyubin, and said then he would resign as head of the faction and vice-president of the LDP. But during his period of contemplation at home, made bearable by his love of board games and telephone politicking, he decided to hold on to retake the factional post.

"I am sorry for having caused trouble to everyone, including my neighbours," Mr Kanemaru said. His neighbours have suffered greatly over the past month, as television vans, camera operators, police and protesters have crammed the streets surrounding his home.

Mr Kanemaru said: "I swear I will never repeat anything like this in my life," suggesting that he intends to remain politically active.

Praise for Angola's democratic debut

By Our Foreign Staff

ANGOLANS received praise from the west yesterday as they awaited the results of almost incident-free presidential and parliamentary elections, the country's democratic debut after three decades of civil war.

Although partial preliminary results released by the National Electoral Commission gave the ruling MPLA and its President Jose Eduardo dos Santos an early lead, these were based on between 2 and 5 per cent of the vote in barely half of the country.

Full results are not expected for another day or two. If the trend is confirmed, however, the key question will be whether the Unita former rebels of Mr Jonas Savimbi will accept the outcome.

The European Community urged yesterday that all sides "should now work together to rebuild Angola in a spirit of tolerance and reconciliation." A statement from the British presidency committed the Community and member states "to give what help they can to the reconstruction of the country." The people of Angola should "take up their primary responsibility for ensuring stability in order to hold on to the democratic values so dearly won," it went on.

During polling on Tuesday and Wednesday, Unita leaders expressed cautious satisfaction with the way it was being conducted. But they had warned that they would regard the result as invalid unless all supporters of the movement who were registered to vote had the opportunity to do so.

In one of the few outbreaks of violence, Unita supporters shot dead a guard to Mr Armindo Espirito Santo Vieira, deputy interior minister. They also occupied houses near Mr Savimbi's residence, saying his life was in danger.

Logistical problems meant ballot boxes and electoral material arrived late in some areas, but the national turnout was estimated yesterday at more than 80 per cent. Late returns and power cuts delayed counting.

In the capital Luanda, an MPLA stronghold, with 5.3 per cent of the votes counted Mr Dos Santos had 73.7 per cent in the presidential race against 19.1 per cent for Mr Savimbi. In Benguela to the south, where Unita was strongest, based on 1.7 per cent of the vote counted Mr Savimbi was also trailing, with 42.1 per cent against 53.5 per cent for Mr Dos Santos.

NEWS: WORLD TRADE

Gatt faces crisis over oilseeds row

By Frances Williams in Geneva

THE multilateral trading system is facing a damaging crisis of confidence following yesterday's refusal by the European Community to accept binding arbitration in its oilseeds row with the US.

The governing council of the General Agreement on Tariffs and Trade (Gatt) has been forced to admit impotence in devising a way of settling the five-year-old dispute over EC oilseed subsidies, which have been condemned twice by a Gatt panel.

The EC's proposal for a Gatt working party, whose recommendations would not be binding, was rejected by the US on Wednesday as a "non-solution".

The failure of Gatt procedures to implement the panel's findings on oilseeds has seriously dented their credibility. The US is backed by many other Gatt members in seeing the EC's legalistic arguments against arbitration as a device to avoid compliance with the panel's rulings.

Yesterday's events have also soured the atmosphere for planned high-level talks on October 10 and 11 designed to break the impasse in the Uruguay Round of trade negotiations.

The US is poised to impose prohibitive tariffs on $1bn-worth of EC imports if the oilseeds dispute is not speedily resolved.

Mr Rufus Yerxa, US ambassador to Gatt, said the decision on which goods would be targeted and when had yet to be taken in Washington.

The US was still "prepared and willing to negotiate a solution", but the EC would have to come up with "fresh new proposals".

"Our patience has worn very, very thin," he said after the council meeting ended.

So far the EC has refused to alter its subsidy system, offering instead other farm trade concessions that the US and other oilseeds exporters say are unacceptable.

The US wanted a panel to rule on the global sum of trade damages to oilseeds exporters, which it puts at $2bn, against the $400m estimated by the Community.

The dilemma for the US is that imposing trade sanctions would certainly provoke retaliation by the Community, which would hurt US industry. It would also not remedy the trade losses suffered by American soyabean farmers. And it could sink renewed attempts to complete the global trade talks, which both sides hope could lead to a parallel oilseeds settlement.

"Ultimately, retaliation doesn't help anyone," Mr Yerxa said yesterday. "You have to be hopeful that we can find a solution."

Brazil on schedule with tariff reductions

By Bill Hinchberger in São Paulo

BRAZIL'S latest round of import tariff reductions took place on schedule yesterday, despite the paralysis of the government during the transition of power from President Fernando Collor, who faces impeachment proceedings on corruption charges, to Vice-President Itamar Franco.

Average tariffs were reduced from 21.2 per cent to 17.1 per cent. No government action was necessary to implement the changes, made under a gradual scheme begun in 1990.

The maximum tariff, for toys, fell from 65 per cent to 55 per cent. Vehicle imports will be subject to duties of 40 per cent, down from 50 per cent. Tariffs for petrochemical products dropped to 15 per cent from 20 per cent.

New rounds of reductions are scheduled for January and July 1993. By the later date, average tariffs are to reach 14.2 per cent.

However, opinions were divided about whether the opening of the economy would be continued under Mr Franco, or rolled back. Important national business interests, led by the National Confederation of Industry (CNI), are already lobbying him to slow the pace of import liberalisation. Similar pleas to Economy Minister Marcílio Marques Moreira, soon to leave the government, fell on deaf ears.

"It is business people, not the left, who are going to put an end to the opening," predicted Mr Jose Dirceu, federal deputy from the leftist Workers party (PT).

"Some sectors are still opposed to the plan, opposed to modernisation," noted Mr Gilberto Galan, director of external relations for Kodak Brasileira. "But I believe that Itamar won't change the schedule."

"I am quite confident that it will continue, though maybe not at the same speed," said Mr Lawrence Pih, head of Moinho Pacifico, a flour milling company.

China gets Rothmans habit

By Yvonne Preston in Jinan

THE Chinese are the world's heaviest smokers. There are 300m of them, the great majority men, though more women are taking up the habit. They smoke 1,600bn cigarettes a year, 30 per cent of total world consumption.

It is an enviable domestic market for international tobacco companies hit by declining sales in countries with more active anti-smoking campaigns than China, but not an easy one to crack.

It has taken the Rothmans company eight years to establish a small joint venture cigarette factory in Jinan, Shandong province, officially opened on Tuesday by former British prime minister, Sir Edward Heath. Shandong is one of China's biggest tobacco growing provinces.

The Rothmans venture, in partnership with the Shandong Tobacco Corporation, provincial arm of the national monopoly, is only the second tobacco joint venture in China and the State Tobacco Monopoly Administration has decreed it will be the last. The first was set up by Winston manufacturers R.J. Reynolds in Xiamen, a special economic zone in Fujian province across the strait from Taiwan.

Rothmans was given the go-ahead only because it spent years helping Shandong tobacco growers improve the quality of their leaf, said Lord Swaythling, the chairman of Rothmans International.

He dismissed criticism that it was bad for the company to be seen selling cigarettes to new markets as sales declined in the health-conscious west.

"We're not encouraging Chinese to smoke. They have been the world's biggest consumers of cigarettes for 40 years. They all smoke like chimneys here anyway, we just want them to smoke our brands."

The two brands to be produced in Jinan, are Rothmans international brand and a local brand, Horseman, retailing at half the price, 3 yuan (43p).

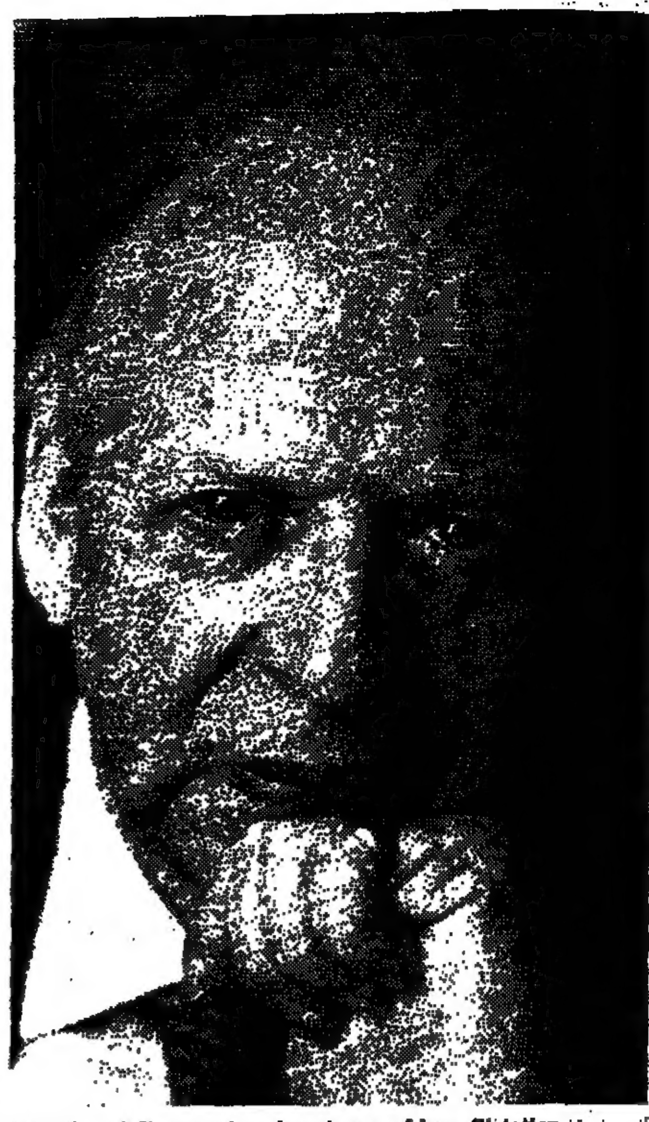
Both brands' packs will carry a health warning, "Cigarette smoking is dangerous to your health".

The Chinese are conscious of a health risk in smoking, but with 20 per cent of state revenues deriving from taxes on tobacco – the single largest source of revenue in the country – the authorities tread warily in mounting anti-smoking campaigns.

The State Tobacco Monopoly Administration has set a target of reaching 30bn yuan in profits and taxes.

Smoking restrictions are not the rarity they once were. Hotel restaurants have no-smoking areas and smoking is banned on domestic flights and in airports.

The joint venture Jinan factory is under-capitalised and very small, with a capacity of only 40m cigarettes a year. To be viable it should be six times as large, but Rothmans hopes "phase two" will begin in two or three years – if China allows – bringing production levels to 2.5bn.



Lord Swaythling: venture is outcome of long flirtation

Japanese steel exports climb 13%

JAPAN'S steel exports climbed 13 per cent in August from the corresponding month a year ago, to total 1.62m metric tons, for the fourth consecutive month of year-to-year increase, the Japan Iron and Steel Federation reported yesterday, AP-DJ reports from Tokyo.

But steel exports in August were down 3.6 per cent from July's 1.68m metric tons. Year-to-year steel exports rose 7.5 per cent in July, 3.1 per cent in June and 2.6 per cent in May.

The US was the biggest importer of Japanese steel products in August, with shipments to the country surging 40 per cent from a year ago, to 257,000 metric tons.

A federation spokesman said the unusually high growth was due to a low basis of comparison the year before because of the lull in the Japanese economy.

Beijing to retain favoured status

By Nancy Dunne in Washington

CHINA is set to retain the advantages it has in trade with the US under its most favoured nation (MFN) status following a vote in the Senate yesterday which sustained by a 59-40 vote a presidential veto of legislation attaching conditions to its low-tariff status.

This follows a 345-74 vote in the House on Wednesday in favour of placing conditions on China's status. A two-thirds majority is needed in both houses for the override to stand.

MFN status gives China the lowest possible tariffs, with the exception of those granted under free trade agreements.

The attempt to use trade as leverage with China to improve its human rights policies has picked up support in both houses since the Tiananmen Square pro-democracy protests were crushed. But the White House argues the US has more influence over China if it keeps close trade ties.

Senator Robert Dole, the minority leader, yesterday took the administration's case to the senate floor. "We've had this debate again and again," he said. "Denying or conditioning MFN will not push the reform process forward in China one millimetre."

The issue has come up in the presidential election, with Democrats accusing President Bush of being "soft" on China.

In a separate action, US and Chinese negotiators next week will try to reach a settlement on a US complaint that it is denied market access in China. At stake is up to $3.9bn in threatened US sanctions and counter-retaliation by Beijing.

NCM acquires Swedish export insurance

By David Dodwell, World Trade Editor

NCM, the Dutch export credit group that last year acquired the short-term trade finance business of Britain's Export Credits Guarantee Department (ECGD), is to take control of short-term export insurance in Sweden following the collapse of Svenska Kredit, the country's only private export credit insurer.

The agreement to bail out Svenska Kredit provides urgently needed relief to Swedish exporters, who were threatened with the prospect of being unable to obtain export insurance cover by the end of October.

Svenska Kredit is understood to have collapsed largely because of defaulting property loans.

Its export credit business, which accounted for the lion's share of its SKr338m (£41m) premium income in 1991, is reportedly sound.

NCM will provide cover through a new company, called NCM Kreditförsäkring.

It will not provide political risk cover, nor cover for contracts of more than three years duration.

These will be referred to the country's government-controlled export credit agency, Exportkreditnämnden (EKN).

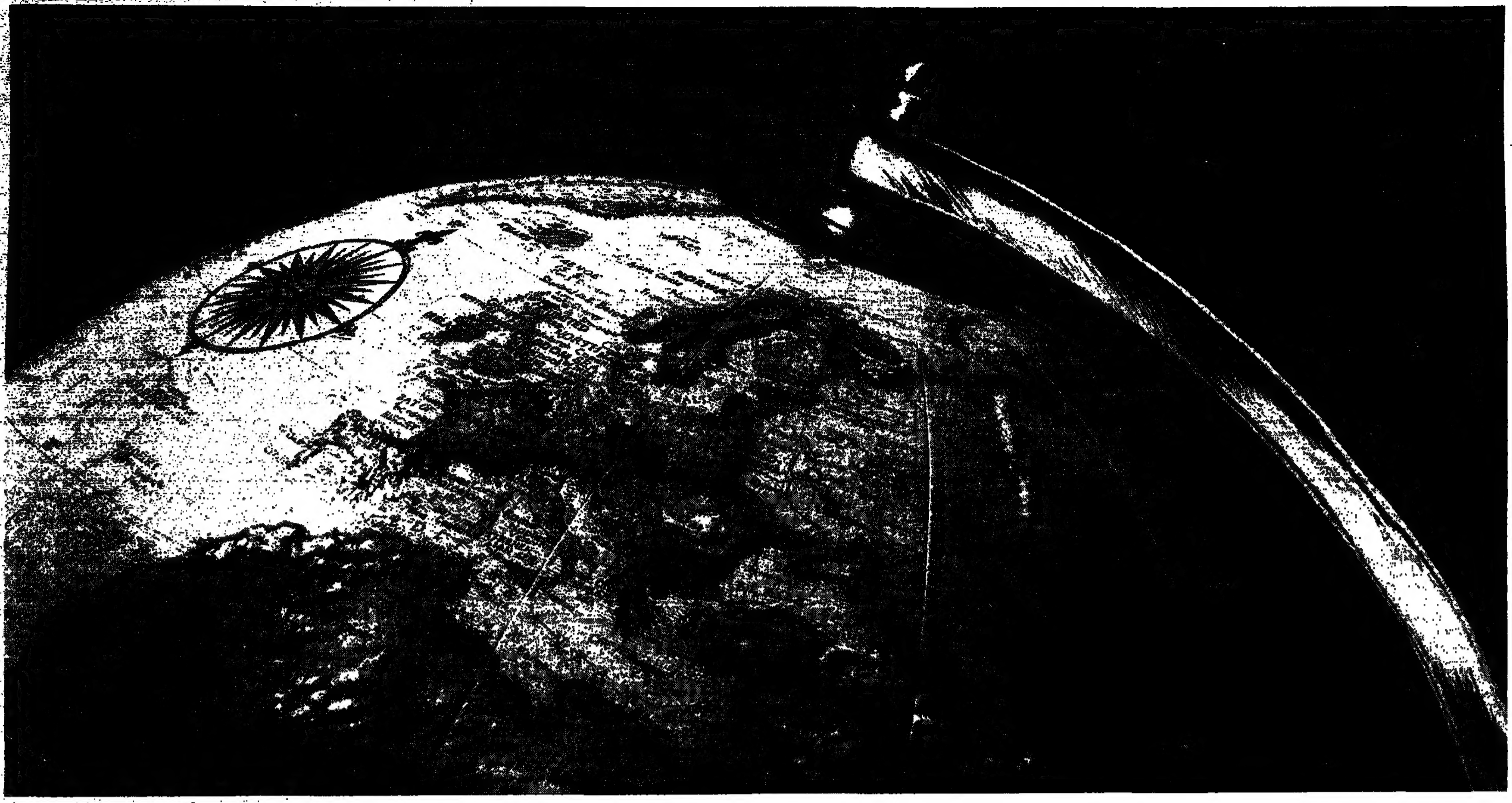
- In the UK, the ECGD has agreed to provide loans totalling $45m to help finance Airbuses to Ivory Coast, Tunisia and Greece.

This represents Britain's 20 per cent share of the finance element of the deals, involving two Airbus A310-300s to Air Afrique, an A320 for Tunisair, and an A310-600 for Olympic Airways.

- ANZ Bank has been awarded the mandate to arrange the US$100m financing for a new international airport in the Portuguese colony of Macao.

Finance will involve credits supported by the ECGD in the UK, Hermes in Germany, Eximbank in the US, EFIC in Australia and COSEC, Portugal's export credit insurer.

The contract for the airport terminal has been awarded to the German-owned Siemens, and Soares de Costa of Portugal.



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THE SERIOUS ALTERNATIVE

NEWS: BOMBAY SECURITIES SCANDAL

Tale of strict rules, poor enforcement and greed

By Stefan Wagstyl and Shiraz Sidhva

IN THE narrow lane outside the Bombay stock exchange, brokers spread piles of application forms on car bonnets and urge passers-by to apply for the latest offering of shares.

The slightest breeze whisks sheaves of paper into the air and sends brokers scurrying to retrieve them. Street vendors do brisk business selling lunch on the pavement to hundreds of men, young and old, milling around and arguing over share prices. This is Dalal Street, the financial centre of India.

Despite the decrepit telephone network and streets clogged with traffic, Bombay throbs with commercial life.

Inevitably, regulators find it hard to keep pace with practitioners. The contrast between fast growth and slow-footed supervision is at the heart of the Rs35bn (£717m) financial scandal which has rocked India this year.

The authorities promoted expansion of India's financial markets as a key ingredient in the country's economic reform programme, but failed to modernise supervisory systems at the same pace. India's scandal is an object lesson for other developing countries.

The affair is being investigated by the Reserve Bank of India (the central bank), the government's Central Bureau of Investigation, and a joint parliamentary committee. Banks and brokers are so busy supplying information to these agencies that they have time for little else. The committee alone has demanded 50 copies of every relevant document.

Standard Chartered Bank, the British-owned institution which has been operating in India for more than 130 years, has suffered the largest loss, currently put at Rs8.9bn, though it hopes to recover some of its money through legal action.

Other hard-hit banks include State Bank of India, largest of the government-owned banks which dominate Indian banking, National Housing Bank, a subsidiary of the Reserve Bank, and two small banks which have collapsed – the Bank of Karad and the Metropolitan Co-operative Bank.

The affair erupted in April at the tail-end of a boom on the Bombay stock market which saw prices rise three-fold in less than a year.

The central bank had been growing suspicious about how investors were securing funds since loans for speculative investment are banned. A brief strike by stockbrokers then disturbed settlement payments and revealed discrepancies in accounts.

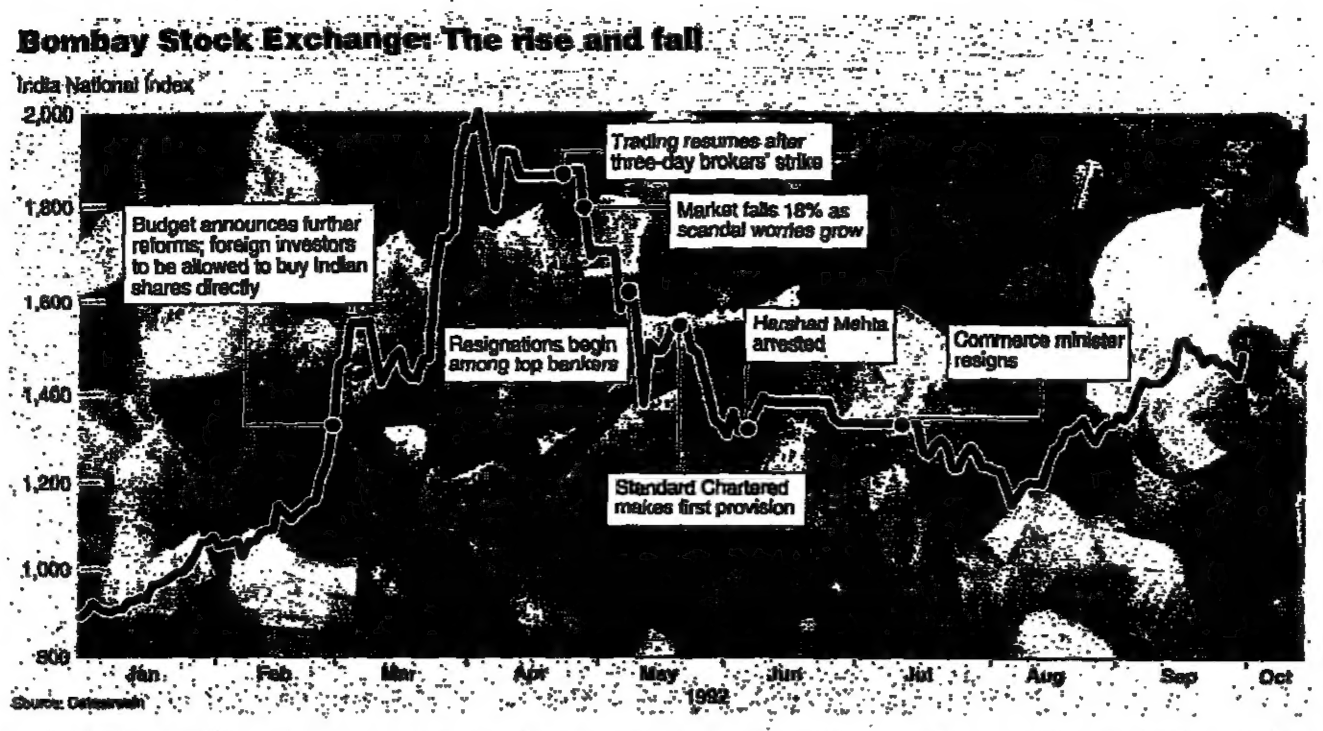
The authorities started a probe into the affairs of Mr Harshad Mehta, a 39-year-old self-made broker who earned the nickname Big Bull for his part in driving up share prices. Mr Mehta never discussed the source of his funds, but investigators alleged the money was illegally diverted from banks and charged Big Bull with fraud.

As panic spread in the financial community in early May, dealings in the stock market came to a standstill and banks re-examined their books.

To their horror, Standard Chartered, the State Bank of India and others discovered evidence of heavy losses. The official investigations widened.

The criminal probes have focused on two targets – Mr Mehta, who was charged with using forged documents to defraud banks including the

Bombay Stock Exchange: The rise and fall



Source: Datastream

State Bank of India; and a group of brokers and bankers centred upon Mr Bhupen Dalal, doyen of Bombay's financiers and head of the country's largest brokerage, who have been accused of defrauding Standard Chartered. Mr Mehta, Mr Dalal and their co-accused deny the allegations, saying their extensive dealings with the banks came from legitimate securities transactions.

The scandal's origin lay in India's tight banking regulations. Banks are required to lodge 30 per cent (before April, 38 per cent) of their deposits with the Reserve Bank in low-yielding government securities to help fund the government's budget deficit. Another central bank rule sets an artificially low ceiling on the maximum rates paid on deposits.

In order to maximise profits on their assets, banks started trading the securities among themselves in short-term repurchase agreements or "repos", which in India are called "ready forwards".

To attract funds, particularly from large corporations, banks established "portfolio management schemes" on which they paid much higher rates of interest. These funds were mostly invested in the inter-bank securities market in order to maximise returns. The central bank estimates fully 26 per cent of inter-bank trading was on behalf of investment clients.

The expansion of Indian banking markets, with the onset of financial deregulation, stimulated "repo" trading. Moreover, banks ignored central bank rules and diversified the market from the legally sanctioned trade in government bonds to paper issued by public corporations.

Foreign banks were particularly active, attracting top dealers with promises of high pay and big bonuses. The Reserve Bank estimates that the four top foreign banks – Citibank and Bank of America of the US, Standard Chartered and ANZ Grindlays of Australia – accounted for 50 per cent of inter-bank securities trading.

The champion was Citibank which pioneered computer-managed trading, and, according to central bank figures, captured 66 per cent of the lucrative portfolio management-related trade. A Reserve Bank report published in August said banks including Citibank and Bank of America violated its guidelines in a number of ways, in effect using portfolio management schemes as deposit substitutes. Both banks denied wrongdoing.

While trading changed out of all recognition through rapid growth, settlement procedures did not. The rules require securities transactions to be painstakingly entered by hand in a central bank ledger. But the system is so cumbersome that banks frequently stopped transferring the underlying securities and instead issued receipts to each other via the brokers. When a repurchased agreement ended these bankers' receipts could be returned or simply thrown away.

Traders had to think fast in a rapidly moving market. Stocks were rising quickly in the year before the scandal but bond prices were falling, forced down by successive interest rate increases.

This created three pressures on banks and brokers. First some were tempted to sell bonds forward, that is to sell securities they did not yet own in the hope of buying them back later at a cheaper price. Secondly, banks were tempted to slip funds surreptitiously through brokers into the stock market, in contravention of central bank rules. Thirdly, some influential brokers, who were dubbed the "bear cartel" because they did not believe in the strength of the equity boom, ran short of stock. They suffered heavy losses, which banks – again by breaking rules – helped to finance.

The lack of an efficient settlement system allowed such transactions to be disguised. Forgeries and photocopies circulated. Deals were done at artificial prices to cover up losses or disguise transfers of funds to brokers.

The central bank warned banks in a circular as early as July last year to stop fictitious deals. But to no avail. One foreign banker says: "I can't think of any institution that didn't do this."

In such turmoil, it was imperative for banks (and brokers) to have first-class internal controls. However, no large Indian bank had computers in its treasury, and nor did Standard Chartered. It is no coincidence that the three other foreign banks all apparently escaped without serious financial losses and all had computerised control of treasuries.

Aside from the investigations into Mr Mehta and the alleged fraud at Standard Chartered the Indian authorities have set their sights on other targets:

□ The joint parliamentary committee is seeking to establish the extent to which the reserve bank tolerated abuses. The committee has found that though the central bank had issued specific warnings to banks in July 1991 it was aware that the rules on securities trading were still being flouted afterwards.

□ The committee is gunning for foreign banks, an easy prey in nationalistic India. Citibank is a favourite target since it was a pioneer in the market. Appearing before the committee this week, Citibank executives denied being involved in any frauds.

But they admitted violating a central bank ban on accepting portfolio management funds from state-owned enterprises. They also admitted using Vijay Bank, a small Indian bank, as an agent to gather funds from state-owned enterprises. These are important concessions since Citibank had previously denied claims levelled by the central bank that it had violated guidelines.

□ The Indian press is keen to unearth links between the scandal and public figures. So far, only two national figures have had to resign, both over financial links with brokers involved in the affair. They are Mr P Chidambaram, the commerce minister and a keen advocate of economic reform, and Mr V Krishnamurthy, a former leading public sector industrialist and technocrat.

Amid all the detail, Indians retain a keen sense of the ambitions which fuelled the affair. As Mr R Janakiraman, deputy reserve bank governor, says: "Ultimately, this is about the greed of men for making money. It comes down to that."

Pillar of Raj shaken by vanishing money

By Stefan Wagstyl, Shiraz Sidhva and Alexander Nicoll

STANDARD Chartered Bank has just completed a magnificent restoration of its neo-Gothic banking hall in the heart of Bombay. The white marble gleams, and the crystal chandeliers sparkle.

But staff have little time to admire their surroundings as they grapple with the bank's biggest financial upset in its 130 years in India. It claims it was defrauded of Rs8.9bn (£182m), and though it is trying to recover the money, it has provided £100m for possible losses.

Thirteen people have left the bank in India, seven of them dismissed. The bank has accused two of fraud. Mr Parvesh Nat, chief executive for India, is resigning to take moral responsibility. Internal investigations are continuing, and further departures cannot be ruled out.

Dislocations in the money markets forced Standard Chartered's London headquarters to pump $800m (£450m) into its Indian branches. It says high

Scam claims first political victim

Chidambaram resigns

Indian Express July 10

interest rates and adverse conditions arising from the scandal cost its Indian business £18m in the first half of 1992.

The third-largest foreign bank, and once a pillar of the British Raj, Standard Chartered has an impressive roster of clients, including many of India's largest industrial houses. Only a handful of its 3,000 staff – at 24 branches in nine cities – are expatriates.

But in India as elsewhere, the end of empire deprived Standard Chartered of some of its sense of purpose. Mr Rodney Galpin, the senior Bank of England official brought in as chairman in 1988, sought to reverse the trend with "Operation Breakout", an effort to introduce a more aggressive approach to business.

The bank sought to expand its Bombay merchant banking business under the direction from London of Mr Ranjit Mathrani, who joined in 1988. He ordered the Bombay bankers to concentrate more on profits. Business in new share issues and corporate advice grew rapidly. Profits from merchant banking trebled in the three years to the end of 1991 to about Rs1bn.

But the results came at a price. Eighteen people left the merchant banking operations in 1988-90, including the local chief executive and his deputy. Some employees disliked Mr Mathrani's flying visits from London and what they saw as his high-handedness. Others believed the single-minded pursuit of profit led them to take risks which should be avoided.

Evidence of the competitive pressure to sail close to the wind came in a budget plan for 1990, dated October 1989, which said weaknesses of the merchant banking division included regulatory constraints "which other banks ignore and circumvent".

The document, which Mr Mathrani says was written by executives in India, said: "Opportunities are considerable provided we are focused, have the desire to circumvent constraints, and [are] prepared to deploy capital selectively."

Mr Mathrani says this was "not a recommendation, but an observation" and that in relation to regulations, "Standard Chartered was much more conservative than other institutions in India."

The strains created by the drive for profit came into the open when Mr Prakash Yardi, then a middle-level risk-control manager, filed a report in September 1990 alleging breaches of official and internal guidelines. A bank inspection team confirmed some of his findings, and procedures were tightened to stop what the bank calls "weaknesses in the management of the portfolio".

Some Standard Chartered managers had started to invest clients' funds in unsecured commercial loans, without obtaining internal credit approvals. Taking a credit risk in this way was against the bank's internal guidelines. Paying an investor a return above officially-set deposit rates would infringe central bank regulations unless there were clear instructions that the bank should invest the money on the investor's behalf.

Legal advice was obtained that management of corporate cash was within the law, and the business was allowed to

Banks paralysed by scam

The Statesman September 3

continue. Mr Mathrani, who in early 1990 was appointed managing director of Chartered WestLB, a merchant banking joint venture formed by Standard Chartered and Westdeutsche Landesbank, for a time assisted in a transitional role the London executives to whom control had passed. He says: "Mr Yardi was right in some areas but not necessarily to the level of seriousness that he implied." He says the total amount of questionable transactions was Rs500m.

Meanwhile, recruits hired to generate business were prospering. Among them was Mr R. Kannan, who was hired from Canfina, the fast-growing investment banking arm of Canara Bank, a small but aggressive Indian bank.

Mr Kannan, now 42, was one of the most active bankers in Bombay. He was put in charge of security markets investment, reporting to Mr Nat. His operations generated bumper profits, boosted by the rapid growth in securities dealing and the sharp rise in the stock market.

In October 1991, the merchant banking operations passed a routine but rigorous internal audit with flying colours. Everything seemed fine as late as mid-April 1992, when the bank's chief treasurer for the Middle East and South Asia division (MESA) visited Bombay. He proclaimed Mr Arvind Mohan Lal, the chief securities dealer, as "the best

How Solid Are Banks?

Business Today July 7

dealer we've got in MESA".

But scarcely two weeks later, disaster struck when Mr Lal called on Mr Nat at his luxury Bombay home late one evening and told him of massive losses in securities trading. Mr Nat could not believe his ears and spent a day checking the books himself before telephoning head office in London.

Since that day in early May, bank executives have been trying to piece together what happened. They are still not sure because they cannot trace all the missing money or all the documentation.

The outline of Standard Chartered's case is expected to be that the deception started in mid-1991 when a sharp rise in Indian interest rates caused a fall in bond prices. Mr Lal suffered a loss of perhaps Rs100m-200m: not enough to hurt the bank, but enough perhaps to damage his career. Mr Lal tried to conceal the loss with the co-operation of Mr Jaideep Pathak, a settlements manager in his department. They turned to brokers to help them hide losses through fictitious deals.

The bank believes the deception then snowballed. Money passed in both directions, but chiefly into brokers' accounts where it was probably used for securities investments. The bank charged the two men with fraud and they were dismissed and arrested.

Standard Chartered alleges in a formal complaint to the police that at least 13 people were involved in fraud – the two employees, four brokers, and executives at two Indian banks which have since collapsed.

Mr David Gardiner, acting chief executive in succession to Mr Nat, insists that the bank was the victim of a fraud. But he admits: "There was clearly a failure in internal management controls."

Harshad Mehta: determined to clear his name

Mr Harshad Mehta, the former Big Bull of the Bombay stock market, looks a shadow of his old self, writes Stefan Wagstyl in Bombay. After three months of interrogation, he has lost a stone in weight, his once chubby cheeks have sunk, and dark patches have appeared beneath his eyes.

But Mr Mehta has lost none of the confidence which won him many admirers and not a few enemies. In an interview yesterday with the Financial Times, he pledged to clear his name of allegations of fraud, to repay all his debts and to go back to business in Dalal Street, the home of the Bombay stock exchange.

"They are trying to make me a scapegoat, but I played only a small part in a big market," he says. "The truth will come out."

Mr Mehta was released from arrest last week after a gruelling 111 days in custody where he was questioned about allegations that he defrauded banks trading in the securities markets. Now he must spend seven hours a day at the criminal board of investigation, which is probing the scandal. Outside his luxury flat overlooking the sea sit six armed policemen. "The government is guarding me," says Mr Mehta with a smile. "They think I'm a valuable commodity."

His life has been brought to a standstill since the affair erupted in April - even the half-completed renovation of his flat. His records have been seized, his assets frozen, including a fleet of 29 cars, among them his favourite Toyota Lexus saloon. Mr Mehta once loved to be photographed in front of it. Now it stands forlornly in the garage where he is not allowed to touch it.

It is all a far cry from last year when 39-year-old Mr Mehta rode to fame and fortune by aggressively promoting an unprecedented surge in the stock market. His biggest killing was made in buying 5 per cent of Associated Cement Corporation and helping to push the price from Rs350 in early 1991 to a peak of Rs11,300. "I showed people that, by accepting a little risk, you could make 80-300 per cent instead of 12 per cent on a bank deposit."

Mr Mehta was then the poor boy made rich, a quick-thinking trader who had dealt in diamonds and in hosiery before turning to financial services in the late 1970s. He secured his Bombay stock exchange seat in 1984. Seven years later he was the best-known broker in India. As Mr Ashwin Mehta, his brother and partner, says: "Harshad is a man in a hurry." Even now, Mr Mehta has many fans. When he emerged from custody last week, he was mobbed outside the courthouse.

However, Mr Mehta knows it will take more than popularity to get him out of trouble - he declines to discuss the details of the affair, saying that it might compromise his defence. Nevertheless, he angrily denounces the banks for their role in the scandal, including Citibank, the US bank which until the affair broke was the biggest trader in the inter-bank securities market.

Citibank has denied that its activities broke the law, though this week it admitted to a parliamentary committee that it infringed some central bank guidelines.

But even in his present predicament, Mr Mehta is also able to talk about the affair dispassionately. The origin of the scandal, he says, lies in the fact that "financial reforms are overdue in this country, as both the capital and money markets are over-regulated and governed by policies which market players cannot observe."

Inevitably, the Big Bull is bullish about India, arguing that "India is an economic miracle."

Equally inevitably, Mr Mehta wants to play a part in that miracle and talks confidently about linking with foreign brokers to channel funds into India.

The optimism seems absurd in the context of a daily visit to the prosecutor's office. But Mr Mehta insists that he will be back: "I've been down before. Once I had to pledge my wife's jewellery."

Harshad Mehta at the time of his arrest

Bhupen Dalal (centre) at the time of being charged

Bhupen Dalal: antithesis of the average

Bhupen Champaklal Dalal is one of Bombay's best-known brokers, with a background in stark contrast to Harshad Mehta's. A formidable player in the government securities market, Dalal is the antithesis of the average Bombay stocker, and would look more comfortable in Wall Street. Bhupen Dalal's Champaklal Investment and Finance Corporation has handled some of the country's largest and most prestigious equity offerings, and the man sees himself as something of a philanthropist and business tycoon. Deeply religious, the suave broker would spend many hours in jail doing his prayers and rituals, and resents the fact that he is not allowed to leave Bombay while on bail to visit a temple town in South India.

Dalal insists he had no dealings with Standard Chartered, and was only brought in when they discovered the mess, to help sort it out. The Reserve Bank suspended the securities trading permit of his firm after Standard Chartered accused Dalal of fraud in its criminal complaint. According to the investigators, a large number of transactions have been put through in the account of one of Dalal's firms, Bhupen Champaklal Devidas, though Dalal pleads not guilty.

Hiten Dalal: all the figures in his head

Hiten Dalal, a distant cousin of Bhupen Dalal, is neither debonair nor flamboyant. He doesn't need a calculator or paper to handle figures. Widely acknowledged as a financial wizard, this unassuming broker appears to have all the numbers stored in his head. He lives so simply that he does not even have a telephone at home, zealously guarding his privacy.

The broker with the largest dealings with Standard Chartered Bank was not even listed on the Bombay stock exchange, having acquired his trading authority from the northern town of Kanpur, though he has no other apparent links with the place.

Standard Chartered Bank executives say four cheques worth Rs780m were found in the office drawers of Arvind Mohan Lal, the treasury manager in the bank who first alerted the bank to the irregularities and was later dismissed. The cheques were made out to SCB from Hiten Dalal's account in Andhra Bank, but they bounced when they were presented.

Economy emerges largely unscathed

By Stefan Wagstyl

THE 43 per cent drop in the Bombay stock market after the scandal erupted in April prompted concern that the affair might damage the economy as a whole and deflect the government from its aim of opening and deregulating the economy.

But the market's subsequent recovery is a sign that the impact may not be as bad as expected: Indian investors seem to believe the government will weather this storm and not be diverted from the road of reform.

Opposition politicians who had hoped to use the affair to embarrass the government have so far had only modest success. Mr P Chidambaram, the commerce minister, is the only minister to have resigned over the affair.

The decision of Mr Narasimha Rao, the prime minister, to establish a joint parliamentary committee to examine the scandal has created a useful political lightning rod. It will also win time, since the committee may not complete its work until next summer.

Nevertheless, the scandal's impact on the economy and on the economic reform programme is not negligible.

Mr Manmohan Singh, the finance minister, has just returned from a visit to the UK and the US, where investors told him that the scandal has highlighted the risks of investing in India, especially in financial instruments.

Indian investors too are worried. Mr N Sankar, president of the Associated Chambers of Commerce and Industry of India, said this week: "The scam and the unprecedented closure of stock exchanges for long periods have shaken the confidence of the investing public."

Such concerns may prove short-lived if underlying market conditions are attractive enough to persuade investors to set aside scandal-generated fears.

However, delays in investment of even a few months could slow growth and harm public faith in the economic reform programme. Although the government had approved some $600m (£350m) of foreign investment plans by the end of March, little of this money has in fact been invested.

The scandal has made banks wary of infringing Reserve Bank of India guidelines. Sticking to the letter of the law has squeezed the supply of bank credit, which was already tight because of the central bank's efforts to restrict the money supply to slow inflation.

Mr F A Mehta, a director of Tata Sons, the controlling company of the Tata industrial group, says: "The scam has not started the squeeze on credit but it has aggravated it." Indian officials say the best way to restore confidence is to take prompt action to punish offenders and implement specific reforms. The authorities have shown their resolve by pillorying suspects such as Mr Harshad Mehta, who spent 111 days being interrogated in custody before release on bail last week.

The Reserve Bank of India has reminded banks to abide by the rules in the inter-bank market, including a ban on paying cheques payable to a bank into the account of a third party, such as a broker – one of the abuses which surfaced in the scandal.

The central bank has also started a more wide-ranging study of bank management practices – including standards for book-keeping.

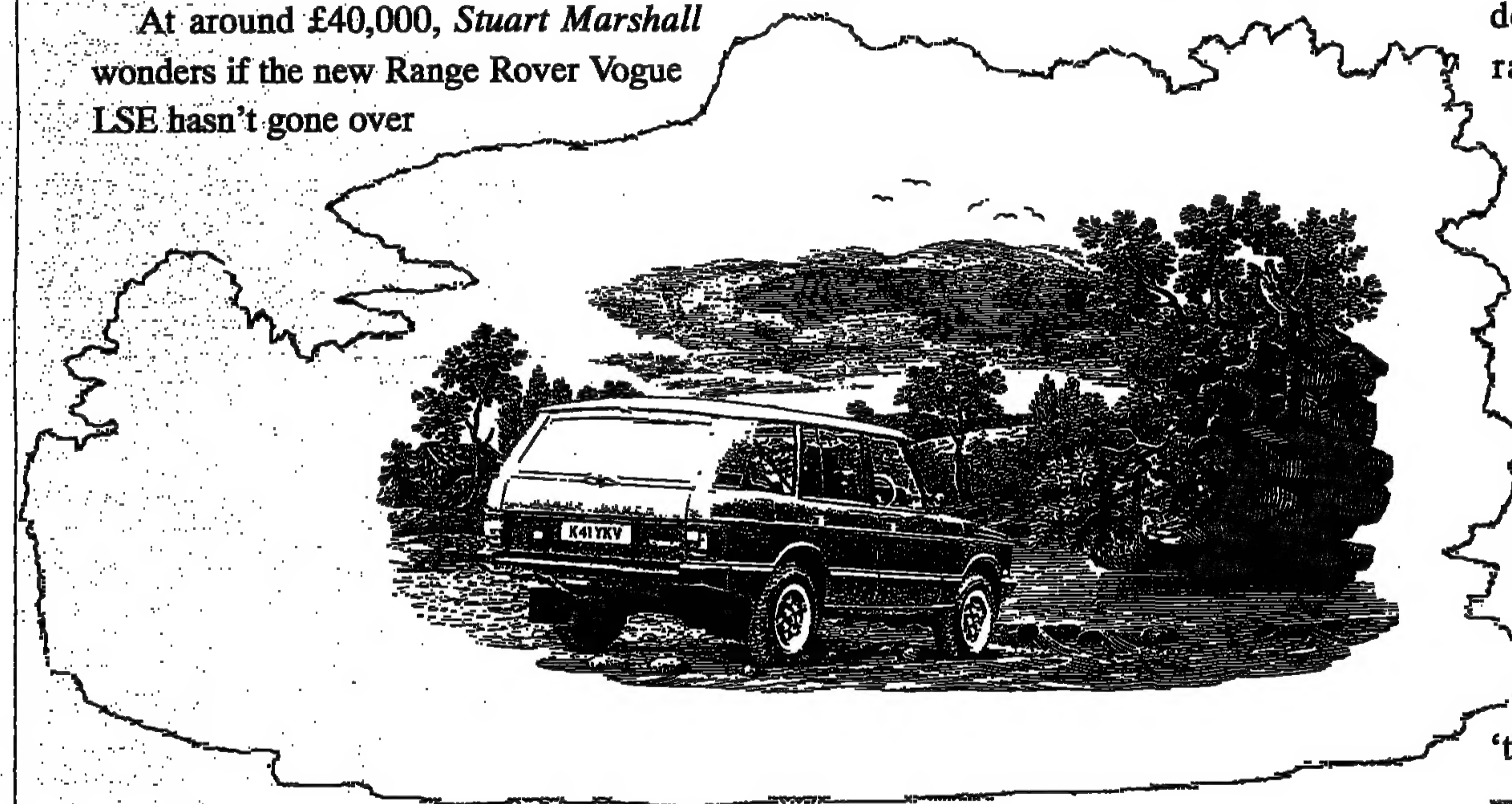
The authorities want to put the scandal behind them. As Mr Salman Khurshid, junior minister for commerce, puts it: "The scandal had to happen, and now that it has, we believe the economy will emerge the stronger for it." That may be too much to hope for. But neither, it seems, will the affair leave the economy significantly weaker.

What is the FT getting up to this Weekend?

Finance and the Family explains how the chaos in the bond market will affect your pension and your fixed-rate savings.

Debbie Harrison, in the second of our series on pensions, helps you understand the ins and outs of company schemes.

At around £40,000, *Stuart Marshall* wonders if the new Range Rover Vogue LSE hasn't gone over the top. With barely a speck of mud on its hub caps, it's now suspended on air but still hasn't lost its roly-poly restlessness round the bends.



Nicholas Lander goes down on the prison farm where Grade C and D prisoners work the poorest quality Grade 3 land to feed the country's 47,000 prison population.

Against all the odds they produce a staggering 12,000 tonnes of potatoes, look after 1,400 breeding sows, boast the largest number of Suffolk Punch horses in the world and have 25 awards from the recent Royal Agricultural Show to their credit.

Ian Hargreaves tunes in to Russian TV – a chaotic industry in its infancy, and who should he find in the wings but the inevitable Ted Turner with his proposed Channel Six.

Nicholas Woodsworth travels to the Yucatan where he finds a castle that's not a castle, it's a pyramid . . . but is it? Not really. It's a 75ft Mayan calendar.

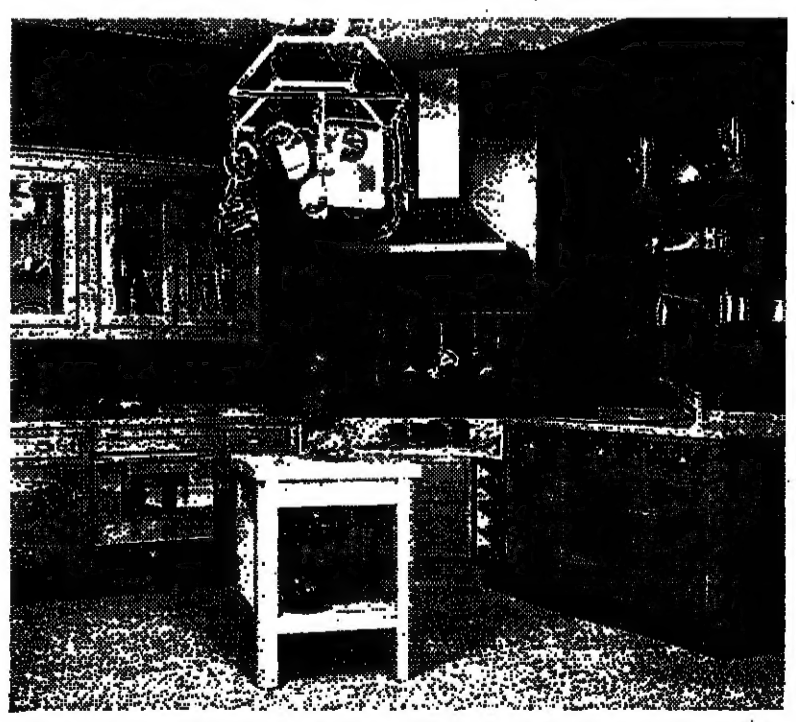
Thoroughly confused, he retires to a tipple of horchata and the floating hot rhythms of a Marimba band in the Plaza Mayor in Merida.

Thinking of buying a holiday home in Cyprus? On the Property Page *Audrey Powell* points out some of the drawbacks – not least of which is a distinct lack of golf courses.

Talking of golf, *John Hopkins* has some surprising advice. Instead of following Mr Faldo up the fairway, male golfers could learn more from women drivers like Laura Gregory, for instance.

With big-spending clients a thing of the past, *Nicholas Powell* looks forward to the Foire Internationale de l'Art Contemporain in Paris, and forecasts a much livelier showing to brighten the market's chronic gloom.

In 'How to spend it' *Lucia van der Post* rubs shoulders with chintz ladies and obelisk boys at this week's Decorex – the interior decorator's annual show. Amidst the Gothic rooms, baronial halls and sumptuous boudoirs she finds a 'thoroughly grown-up' kitchen.



The long skirt is 'in', yet seems fraught with perils. The Fashion Page talks to some women about town who wouldn't be without one . . . what have they got to say? Find out in Saturday's Weekend FT.

Pick up your copy tomorrow.

Weekend FT

Texans cool towards Perot, the native son

Jurek Martin samples views around a would-be candidate

IN the campaign of 1964, one of the more scurrilous *tracts passed round* the Barry Goldwater faithful was a little paperback entitled A Texan Looks at Lyndon Johnson. Mostly, it looked and found he was a communist.

In the days before he may or may not announce what he may or may not do with respect to the 1992 election, many Texans are contemplating another native son, Ross Perot.

Take, for example, William P Hobby, until 1990 lieutenant-governor, an office with real power in Texas, and now a professor at the LBJ school of government of the University of Texas. He has had dealings with Mr Perot for over 20 years and concedes that his role in reforming state education a *decade ago was one of* "great service".

But, he caustically goes on, "most men's mid-life crises are not nearly as spectacular as his." He may be "the worst qualified man ever to want to be president". As to motivation, "something rattles his chains" and he has to break out. *He suspects*, as does Dave McNeely, political columnist on the Austin Statesman-American, that, however Mr Perot dresses it up, he is inspired by a genuine and profound hatred of President George Bush, but, Mr Hobby adds: "Who the hell knows?"

Some demonic theorists, more in Washington than Texas, claim they do and that the adopted and native Texan duo, George Bush and "Jimmy" Baker, have deliberately baited Mr Perot in order to get him to run and thus complicate an election that the president seemed otherwise certain to lose.

Neither Mr Hobby nor Mr McNeely think that Mr Perot can regain, even in Texas, anything like the levels of support he commanded in the heady springtime days of his non-candidacy. Mr McNeely thinks, but says he does not know, that in the end Mr Perot will launch something short of a fully *fledged campaign, but* sufficient to keep his name in the spotlight and on television and thus satisfy his ego.

Mr Robert Stein of Rice University in Houston is, according to Mr Hobby, the pre-eminent Texas pollster. His latest surveys have not been posited on a Perot entry, but he has been tracking him for months.

He concedes that Mr Perot still has a base in the Dallas-Fort Worth area, particularly among retired military people; he thinks his candidacy makes Texas more competitive, because it helps Mr Bush in the first instance, though not perhaps in the longer haul.

Ross Perot: Opinion is divided as to whether he is breaking the mould or the rules

But he has doubts that Mr Perot will get back to much beyond 10 per cent on his home soil from the 5 per cent-plus that he has recently been registering. That, of course, might be enough to determine who does win the state.

Mr James Galbraith, the Texas University economist, is *more engaged with what a* President Bill Clinton should do than with the intricacies of Texas politics, but is convinced that here, as in Florida and elsewhere, Mr Perot can only in the end hurt Mr Bush.

But three others of progressive persuasion – Molly Ivins, the journalist whose acid chronicles of Ross Perot have lightened many a breakfast table this year; Jim Hightower, the former Texas agricultural commissioner who under no circumstances, he promises, will be the next secretary of agriculture; and Susan DeMarco, the liberal activist – seemed glum at the thought *that he might be running* again.

They agreed with Ms Ivins's guess that he might indeed get 10 per cent, perhaps a little more, but were far more interested in talking about what has been happening in Europe.

Mr McNeely is convinced that a lot of the nasty stories about *Mr Perot's autocratic* ways, which were beginning to gain currency when he pulled out in July, will resurface with a vengeance with a few more revelations besides.

One concerns *the alleged surveillance of his own daughter*, who was going out with a professor who happened to be *Jewish. Another is his apparent* tendency to fire employees with the HIV virus. A third is that he ordered investigations of some of his volunteers.

But this week there have been stories which appear to contradict his fundamental claim that his is a genuine "bottoms-up" grass roots movement. Some leading "volunteers" are in fact on his payroll.

Some he disappointed now claim he always intended to pull an "October surprise". It certainly is the case that in July he advised the Texas authorities that his name was not to be withdrawn from the ballot.

But perhaps the most damaging and irrefutable evidence concerns his toll-free telephone number, which *he* invited all to use to say whether he should, or should not, get into the race. Anybody dialling it gets an automated response advising that they "will be included in our total count of callers supporting Ross Perot".

At least one of those was an anonymous reporter from the *Austin Statesman-American* simply doing his checking. Whether because of this or not, the newspaper's editorial column this week pulled no punches.

"It is hard to escape the feeling", it wrote delicately, "that the entire Ross Perot candidacy has been nothing but an *ego trip by someone who* thinks unlimited money means the rules don't apply to him." Thus Texans now look at Ross Perot.

Judge orders full trial in BNL loans case

By Alan Friedman in Washington

THE long-running scandal over $5bn of illegal Iraqi loans, made by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL), took an unexpected turn *yesterday when a* US judge halted court hearings against the branch's former *head and said he would order a* full-scale trial.

Judge Marvin Shoob declared in open court that he did not believe the central premise of the US government's case against Mr Christopher Drogoul, former BNL Atlanta manager, who was due to have been sentenced to *prison this week*.

The judge's order was in response to a request by US government prosecutors, who this week suffered a series of blows to their case that Mr Drogoul was the sole orchestrator of the Iraqi loans. More than $2bn of these helped finance President Saddam Hus*sein's nuclear, chemical and* missile projects.

The prosecutors yesterday said they wished to seek a full trial and cancel an earlier plea agreement by which Mr Drogoul had admitted guilt to 60 of 347 charges against him. Two weeks ago, Mr Bobby Lee Cook, Mr Drogoul's lawyer, was refused a full trial and a request that his client's plea be changed to innocent.

Mr Cook, who quickly agreed to a new trial, has accused the Bush administration of covering up its role in a scheme to finance Iraq's weapons programmes via BNL loans.

The government's case appeared weakened this week after Judge Shoob had revealed that three CIA documents proved "definitely" that Mr *Drogoul had acted with the full* knowledge of BNL's head office in Rome.

Further doubts were raised on Wednesday when it was disclosed that the Italian government had put political pressure on the administration to ensure that BNL Rome was portrayed as a victim and not indicted. Also, Mr Drogoul testified that Mr Giacomo Pedde, former BNL chief executive, *knew of the Atlanta loans and* urged him "to do everything you can to support Iraq".

Judge Shoob, who is expected to disqualify himself from the BNL trial when it begins a few months hence, said in court that, in his view, BNL's Rome head office was not a victim and that it was either *aware of what Mr Drogoul was* doing in Atlanta or had deliberately ignored the Atlanta loans for political reasons.

The judge, who will issue his own report on the BNL case today, said he was concerned about the role played by the US government "at the very highest levels". Two former senior BNL executives *told the* Financial Times this week that at least eight BNL executives in *Italy were aware of*, or involved in, the Atlanta loans to Iraq.

Politicking delays naming of finance minister in Brazil

By Christina Lamb in Brasília

THE delay in installing *Vice-President Itamar Franco* as interim president of Brazil has left a power vacuum, and growing concern over the failure to name a finance minister.

Mr Franco was expected yesterday to assume his new office only on Monday because of difficulties in choosing someone acceptable to the wide coalition of parties supporting the vice-president, to head the cru*cial new Finance Ministry*.

The socialist Senator José Bisol yesterday criticised the delay: "We are running the risk of disappointing the nation which took to the streets in favour of impeachment" of President Fernando Collor, newly on trial by the senate on corruption charges.

But Mr Maurício Correa Lima, tipped to be the new justice minister, confirmed that *Mr Franco himself had* requested the delay. Mr Lima said: "It is natural for a president to want the widest possible understanding with the political parties."

Wrangling continued yesterday among parties over the composition of Mr Franco's cabinet, mainly over the finance portfolio. The first choice of Mr José Serra, an economist from the social democratic *PSDB* party, has been vetoed by Mr Orestes Quércia, leader of the Democratic Movement Party *(PMDB)*. He believes that, as the largest party, the PMDB should com*mand the Finance Ministry*.

Mr Franco seemed impatient with the in-fighting yesterday: "I choose the ministers. Any*one who thinks* he can pressure me is fooling himself."

The failure to name a finance minister and Central Bank president is causing concern in the financial community, anxious for word on future economic policy. The main São Paulo stock market was operating 1.1 per cent down yesterday afternoon in quiet trading.

The delay leaves Mr Collor still in office, despite the vote by the House of Representatives on Tuesday to strip him of his powers and send him to a Senate trial. He spent yesterday in the plush presidential offices, where he can still nominate appointees and issue decrees until he has signed the papers to suspend him from office for 180 days. These will be served on him on Monday. *Mr Franco continued to* work in his shadow in the shabby, subterranean vice-presidential annexe.

Mr Collor is under rising pressure to resign rather than face the humiliation of a trial. If the Senate finds him guilty, he will be ousted from the presidency and barred from public office, even from voting, for eight years. If he resigns, he will receive a pension, though *criminal* charges may yet confront him. Mr Dirceu Carneiro, secretary to the Senate, said *yesterday: "We are* giving him the chance of a dignified exit."

US Senate approves IMF quota rise and Israel backing

By George Graham *In Washington*

THE US Senate yesterday finally approved an aid package to provide both the country's $12bn quota in the International Monetary Fund's capital increase and $10bn in loan guarantees for Israel.

Neither measure would incur a direct cost to the US taxpayer, unless Israel were to default on its loans or the IMF to got bankrupt, but both have had rocky passages through Congress.

President George Bush tried to win support for the unpopular IMF quota increase by attaching it to a package providing aid to Russia and the other republics of the former Soviet Union, but many of his own Republican party supporters still baulked at it.

Besides the Israeli loan guarantees and the IMF quota increase, the appropriations bill approved by *the Senate* yesterday includes about $14bn *of foreign aid*.

Since the US is by far the IMF's largest member, passage of the *quota increase* was critical to the implementation of the quota increase, which would increase the IMF's capital base by 50 per cent to SDR135.2bn ($198bn).

Without the increase, IMF officials expected their resources to fall to critical levels by the end of the year.

Washington officials were optimistic that a small appropriation for United Nations family planning activities, which the Bush administration has used as grounds for a veto, would be dropped in a final conference to reconcile the House of Representatives and Senate versions of the bill.

In a separate vote, the Senate ratified the Strategic Arms Reduction Treaty, by which the US and the former Soviet republics agree to cut their *arsenals* of nuclear warheads.

NEWS: THE KERRY REPORT INTO BCCI

■ Bank of England heavily criticised ■ Criminal investigation prompted action ■ Auditor continued to sign off reports 'true and fair'

Allegations mount up

By David Lascelles

THE KERRY report is a mountainous document, bulging with allegations about BCCI's heinous crimes and the failings of its regulators and accountants. It pulls few punches in its criticism of the Bank of England, BCCI's auditors Price Waterhouse and its major shareholders Abu Dhabi, all of which will provide ammunition to the many people who have suffered at BCCI's hands.

In the best tradition of congressional reports, it picks over its subject in meticulous detail and reaches for the jugular. Anyone sated with fraud can gorge on prostitution, terrorism, drug trafficking, bribery and death squads, or ponder the complexities of the fraudster's mind, as detailed in its 786 pages.

But the real judgment that needs to be made is how much light Senator Kerry sheds on the chief questions behind this extraordinary affair. Although he draws useful lessons and proposes important legislative initiatives, the overall result is less satisfactory. There are few illuminating insights, which is disappointing for an investigation that had powers to subpoena evidence – although not surprising, perhaps, given the thick veil of secrecy that still surrounds key parts of the story.

In seeking to answer the central question of how BCCI got away with massive fraud as long as it did, three points need to be addressed:

- When did Price Waterhouse first detect evidence of fraud?
- Should the bank regulators have shut it down earlier?
- How much did Abu Dhabi know?

On the first of these, many of PW's early audits of BCCI dating from the early 1980s have been in the public domain for over a year. They show that loans remained unserviced, clients disappeared, documents went missing. Yet it was not until 1990 that PW officially reported that some transactions were "false or deceitful".

Like many people who have read these audits with the light of hindsight, Mr Kerry finds it hard to believe that they did not ring deafening alarm bells at PW. But the audits provide only a blurred picture of what was happening at PW, and whatever further evidence exists remains locked away in PW's safe, beyond the reach even of Mr Kerry's subpoenas.

The result is that Kerry seems unsure what to make of PW. He contends: "There can be no question that the auditing process failed to work," yet he grants that PW's auditors detected fraud and reported it to the Bank of England even though they were being obstructed at crucial turns by BCCI itself. In a pointed comment he says: "Price Waterhouse wound up owing a duty principally to the people who were deceiving it."

Mr Kerry is clearer on the point of whether bank regulators could have acted sooner. The answer is yes. The Bank of England has always argued that it had only partial responsibility for BCCI because it was headquartered in Luxembourg.

But in one of the few new documents to emerge from the report, Kerry quotes from a 1985 Bank memo in which an official writes: "After spending one week in BCCI I am absolutely certain that the real head office is located on six floors of 100 Leadenhall Street [in London]."

Kerry is specially critical of the bank regulators' decision in early 1990 to discount evidence of fraud and accept a huge capital injection from Abu Dhabi to keep BCCI going. That amounts, he says with characteristic hyperbole, to the regulators and auditors becoming "partners not in crime but in a cover-up".

However, the real issue here is whether the authorities were doing a service to the depositors by staving off a bank collapse and securing fresh capital from the major shareholder. A fuller picture might actually prompt the answer yes.

The question of Abu Dhabi's involvement depends on whether you believe PW's assertion that BCCI management confessed their crimes to Abu Dhabi officials in early 1990. Abu Dhabi denies that, but Kerry accepts it, although without apparently having acquired any corroborating evidence of his own. Given the scepticism with which he treats many of PW's other claims, that is inconsistent.

Until all the evidence does come out into the open, anyone trying to make sense of BCCI has to decide which of many conflicting versions to believe. Mr Kerry lays considerable store by Mr Masihur Rahman, BCCI's financial officer, who testified before his committee last year.

Mr Rahman claimed to be totally ignorant of the frauds until the very end. That may be true. But if Mr Kerry suggests that PW was remiss in not spotting fraud sooner, consistency demands that he at least raise the same question about Rahman.

A note of frustration runs through the report, reflecting Mr Kerry's inability to nail the full story of BCCI. The Serious Fraud Office, the Bank of England, PW and Abu Dhabi come in for constant criticism for their alleged obstructiveness, and he calls for greater international co-operation.

That is is not just the reaction of a politically driven individual. US government agencies and congressional investigators have been ahead of their British counterparts throughout the BCCI affair, and have played a key role in publicising evidence that which might have been buried.that would otherwise have been buried by foreign banking laws and court procedures.

The Kerry report will doubtless have its repercussions on Capitol Hill. But it still leaves crucial gaps which we must now hope will be filled by the long-awaited Bingham Report in the UK. That report, to be published later this month, should be a less flamboyant and, by all accounts, more incisive document which should settle the matter of culpability for the whole sorry BCCI mess.

The Kerry Report

John Kerry

Findings:

- BCCI constituted international financial crime on a massive and global scale
- The bank systematically bribed world leaders and political figures throughout the world
- It developed and implemented a strategy to infiltrate the US banking system despite regulatory barriers
- US federal law enforcement agencies made decisions which delayed the making of a wide case against BCCI
- New York District Attorney Robert Morgenthau's investigation of BCCI indirectly brought about its global closure
- BCCI's accountants failed to protect its innocent depositors and creditors
- The CIA developed important information on BCCI, but inadvertently failed to disseminate it
- Gaps in the regulatory process partly caused flawed decisions by US regulators and enabled BCCI to acquire US banks
- The Bank of England's regulation of BCCI was wholly inadequate to protect depositors and creditors
- Clark Clifford and Robert Altman participated in improprieties with BCCI in the US
- Abu Dhabi's involvement in BCCI was more central than it has acknowledged
- BCCI actively solicited the friendships of major US political figures, and made payments which may have been improper
- BCCI's commodities affiliate Capcom engaged in billions of dollars of largely anonymous trading in the US which included a very substantial level of money laundering

Recommendations:

- The US should develop a more aggressive and co-ordinated approach to combat international financial crime
- The US should develop a more aggressive approach to financially isolate nations which do not adequately regulate their banks
- Further steps should be taken to insure adequate accountability of foreign financial institutions doing business in the US
- Foreign investors who buy substantial shares of US businesses should be required to appear personally in the US
- The inspector general of the US justice department should investigate the policies and practices that led to problems in the department's BCCI investigation
- The CIA and State Department should target foreign financial institutions as subjects for intelligence gathering and analysis
- Congress should consider adopting additional oversight mechanisms to ensure the CIA's accountability on the provision of information
- Federal agencies should impose new requirements on foreign auditors to protect US interests
- The President and Secretary of State should protest to the government of Abu Dhabi over the witholding of documents and witnesses
- The judiciary committee should evaluate whether it is appropriate to create a federal statutory code of conduct for attorneys who practice before federal agencies
- The US commodities markets should make money laundering illegal and demand that this requirement is accepted by foreign commodities exchanges
- A committee of law enforcement officials should oversee, prevent and respond to failures of co-operation
- A statutory mechanism for the receipt by Congress of foreign financial information should be established

Morgenthau's office singled out for praise

By Alan Friedman in New York

OF ALL the myriad US institutions involved in the investigation and regulation of BCCI, only one is the subject of consistent praise in the Kerry report – the office of Mr Robert Morgenthau, the New York district attorney.

Mr Morgenthau, who brought the first wide-ranging fraud charges against BCCI in July last year, is singled out as having been far ahead of US or British authorities in uncovering criminality at BCCI and credited with having essentially forced both the Bush administration and the Bank of England into taking action against BCCI in the period leading up to the bank's shutdown on July 5 1991.

In the end, the report remarks, it was not the regulatory process itself that brought about the exposure and removal of BCCI from either the US or the UK. In both cases the ultimate regulatory action was prompted by the criminal investigation brought by Mr Morgenthau.

On August 21 1989, the Federal Reserve was told by an aide to Mr Morgenthau that an informant had reported that BCCI had secret control of First American Bankshares, the Washington bank then chaired by Mr Clark Clifford, the former US defence secretary. The Fed took no action in response, according to the Kerry report. It did, however, learn more about ties between BCCI and First American from the Bank of England, in late 1989.

But for Mr Morgenthau's work, the Kerry report concludes, the Fed may never have learned from the Bank of England, Price Waterhouse and Abu Dhabi that auditors to BCCI had found damaging evidence on the bank. But for Mr Morgenthau's work, the Bank of England "might well have proceeded with BCCI's restructuring regardless of the new revelations about fraud, and simply hoped for the best".

If Mr Morgenthau is singled out for praise, the US Department of Justice, the US Treasury and the Central Intelligence Agency are sharply censured in the Kerry report. The Fed is described as having been negligent during much of the 1980s, but is praised for its work since January 1991.

In investigating BCCI, the Fed's efforts were, according to the report, hampered by a lack of co-operation by foreign governments and agencies, including the Serious Fraud Office in the UK and, since the BCCI closure in July 1991, the government of Abu Dhabi.

The SFO is accused of having prevented the Fed from interviewing certain witnesses and reviewing certain documents in the UK. Although Abu Dhabi has claimed that it is co-operating with the US, the Kerry report says the government's refusal to make available 18 witnesses and many important documents has gravely hindered the Fed's ability to complete its BCCI investigations.

The Justice Department, the report says, "essentially stopped investigating BCCI in connection with First American after the spring of 1990, until press accounts, Fed action and the New York district attorney's investigation pushed them into action in the spring of 1991". The report even cites evidence of one federal prosecutor who acknowledged making misrepresentations to Fed officials and to Mr Morgenthau's office concerning the existence of documents critical to their work.

Mr Donald Regan, Secretary of the Treasury in 1985, is criticised along with the department itself for mysteriously failing to remember a documented 1985 briefing from the CIA that disclosed BCCI's illegal and secret ownership of First American.

Price Waterhouse doubly criticised

By Andrew Jack

PRICE WATERHOUSE comes in for criticism in the Kerry report in equal measure for its role as auditor to BCCI and for its lack of co-operation with the committee in providing information.

The bulk of the analysis concentrates on why BCCI was allowed to continue operating in spite of alleged fraud and bad practices which went back over many years.

Using fragments of PW papers obtained by the committee, it says that the firm was raising concerns over the operations of the BCCI Grand Cayman office at least as far back as 1983, when it highlighted "a high concentration of risk" in loans to prominent clients.

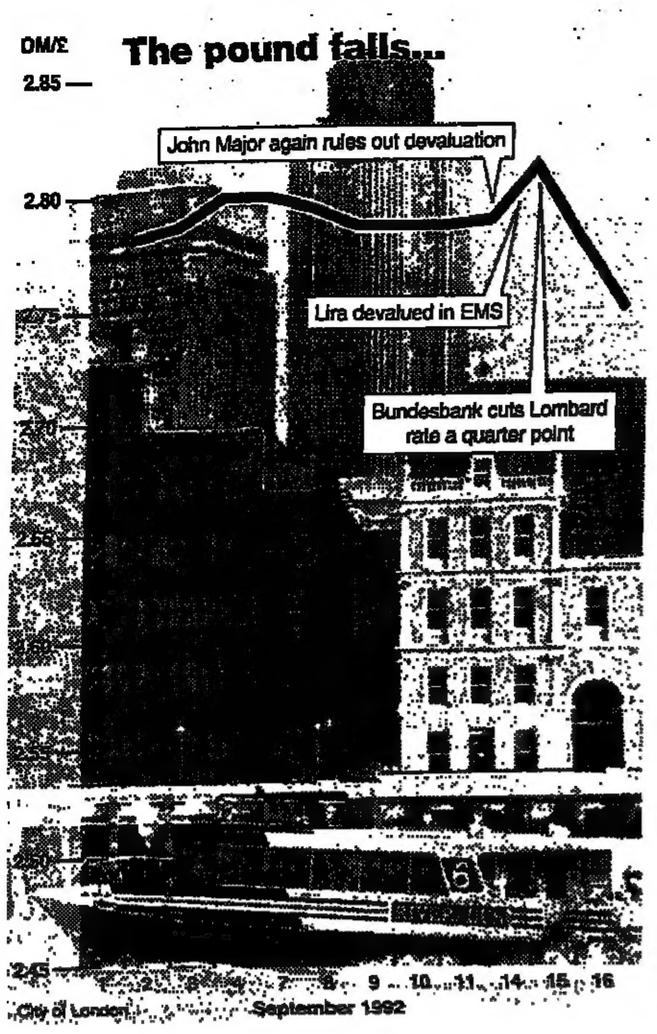
In 1984, it noted files containing "inadequate financial information such that the credit worthiness of the borrow[er] cannot be readily established."

PW made a series of recommendations for reform. The Kerry report says that BCCI did not abide with many of these points, which were reiterated in greater detail every year by PW. Meanwhile the firm continued to sign off the accounts as "true and fair".

In its 1987 audit report, PW said the repayment performance was "below expectations" of loans for $318m to the Gokal brothers and their shipping empire, the Gulf Group. It said security against the lending was probably unenforceable and financial information on the loans "inadequate".

The report estimates that PW received about $5m a year for its work on the BCCI audit and related services. It says the UK PW firm declined to co-operate in providing information because of the restrictions precluded by banking confidentiality.

ERM: THE ANGLO-GERMAN ROW



Peter Norman, Economics Editor, recounts the escalating war of words

How poisoned relationships

SUNDAY September 6 began miserably in Bath.

It was pouring with rain outside the city's elegant Royal Crescent Hotel. Inside, Mr Helmut Schlesinger, the president of the Bundesbank, appeared distracted and anxious to get away. Nearby, Mr Norman Lamont, the host of a weekend meeting of European Community finance ministers and central bankers, had his nose buried in the day's newspapers and appeared not to notice his distinguished guest.

If one episode was the catalyst for the extraordinary row that has since blown up between the UK and Germany over monetary and economic policy, it was that weekend meeting in Bath.

On the previous day, in the elegant surroundings of the city's 18th century Assembly Rooms, the UK chancellor the abandoned the wide ranging agenda that he had set for the talks and pressed Mr Schlesinger to cut his interest rates.

Mr Lamont, rightly, saw this as the key to boost economic growth in Europe and especially in Britain where the government was faced with the prospect of a recession turning into a slump. The chancellor was a man under pressure with a weakening pound in the European exchange rate mechanism and the absence of any sign of an end to the UK's prolonged recession.

Eight days later, after the surprise Italian lira devaluation of September 13, the Bundesbank obliged, with a minimal ¼ point cut in its internationally important Lombard rate to 9¾ per cent and a ½ point cut in Germany's discount rate 8¼ per cent. But in Bath Mr Schlesinger, as just one member of the bank's 18-man ruling council, was in no position to deliver the chancellor's wishes.

Mr Lamont's insistence was so fierce that the 68-year-old Bundesbank chief was on the point of walking out of the meeting. He was held back when Mr Theo Waigel, the Bonn finance minister, urged Mr Lamont to call off his attacks.

Mr Lamont nevertheless came away from the discussions proclaiming victory. The meeting had agreed a four point statement that confirmed the then existing exchange rate structure of the ERM and included a Bundesbank promise not to increase interest rates "in present circumstances". But the hollowness of Mr Lamont's achievement soon became apparent after the Bundesbank president on the following day distanced himself from the agreement not to realign the ERM exchange rates.

But Bath alone cannot explain the bitter divisions that have emerged between Mr Lamont and Mr Schlesinger and pitched the UK Treasury against the independent Bundesbank.

It is now clear that the divergence of the two economies under the impact of German unification imposed intolerable strains on the relationship between two countries that were once natural allies in European economic and monetary affairs.

By the late summer, the UK government was convinced that the ERM was forcing it to maintain a stricter monetary discipline than was warranted by the depressed state of the domestic economy. It had earlier weighed the possibility of a devaluation but rejected it in a widely publicised speech by the chancellor in July. Not only would a devaluation be politically risky it would also shatter the government's efforts to make sterling a strong currency.

At the same time, the Bundesbank, alarmed by Germany's fiscal deficits and the cost of reconstructing east Germany, saw no scope for a relaxation of its interest rates.

This lack of economic convergence was exacerbated by somewhat differing perceptions in Frankfurt and London of the way in which the ERM should operate. The scene was therefore set for the Treasury and the Bundesbank to differ sharply in their assessment of events that led up to "Black Wednesday", September 16, when sterling was forced to leave the ERM.

These differences show through in the statements issued two days ago by the Bundesbank and the British Treasury. The two statements show no meeting of minds over the immediate causes of sterling's departure from the ERM in the days following the lira's devaluation in the European Monetary System on September 13.

The British government firmly believes that the final straw for sterling was the contentious interview given by Mr Schlesinger to Handelsblatt, the German business daily, early in the week of Black Wednesday. In line with frequent German practice, a condensed advance copy of the interview was made available to the German press by Handelsblatt on the evening of Tuesday, September 15. This contained the remark, attributed to Mr Schlesinger, that "the situation in the EMS could have been further eased if there had been a more comprehensive realignment" at the time of the lira devaluation.

This, according to the UK, caused sterling to crash through its DM2.778 ERM floor in late trading on Tuesday after which it proved impossible to support the parity on Black Wednesday despite two emergency increases in British interest rates to 15 per cent from 10 per cent. The Bundesbank eventually disowned the remarks but too late to influence financial markets.

This week's statement from the Bundesbank failed to recognise the UK concerns about the supposed statement from Mr Schlesinger. Instead, it underlined how Mr Schlesinger, in the final version of the interview as published on September 17, made remarks supportive of the pound. The German statement failed to acknowledge that by that time sterling had been forced out of the ERM.

The episode indicates that the German authorities are at best naive in assuming that markets will wait to react only to authoritative versions of interviews. By the time the first condensed version of Mr Schlesinger's supposed remarks emerged there were already widespread suspicions that the Bundesbank had wanted a broader ERM realignment than the lire devaluation of September 13.

Schlesinger caught out by desire to have the last word

By David Marsh and Andrew Fisher

DOGGEDNESS and attention to detail stand out among the characteristics which, during a 40-year career, have made Mr Helmut Schlesinger a successful central banker. Both traits have come to the fore with a vengeance in the document at the centre of the latest Anglo-German row – and both seem, for the moment at least, to have rebounded against him.

Mr Schlesinger, 68, is a courtly man with more than a touch of Bavarian charm. But he has a habitual liking – which some colleagues on the decision-making Bundesbank council can find irritating – for having the last word.

During the last fortnight, the normally unflappable Mr Schlesinger has been enraged by attacks from Britain both on the Bundesbank's interest rate policies and – still worse – on his own integrity. He has been especially hurt by recent articles in British tabloid newspapers linking the Bundesbank to Germany's Nazi past. The four-page statement on "reproaches made by some members of the British government" was his attempt to hit back.

Unfortunately for him, Mr Schlesinger's perhaps justified righteous indignation over the events of the last two weeks has now been drowned in the greater tumult engendered by the new affair. Seldom can an attempt to put the record straight have produced such a twisted result.

Mr Schlesinger is certainly no conspirator. When he tries to persuade recalcitrant Bundesbank council members of the merits of a policy they find unconvincing, his obvious lack of Machiavellian instincts can border on haplessness. "Too honest for his own good" was one description after the controversial interview with Handelsblatt, the German financial daily, which the UK government charges helped prompt sterling's exit from the exchange rate mechanism.

A man with a somewhat unworldly lack of understanding for the way journalists work, he has tried to use the press to protect his well-founded reputation

A man with a somewhat unworldly lack of understanding for the way that journalists work, he has tried to use the press to protect his well-founded reputation for straightforwardness, decency and prudence. Yet he has somehow managed to end up in the dock appearing to be not only a weaver of intrigue but an unsuccessful one to boot.

In the Bundesbank, Mr Schlesinger's reputation for homespun scholarliness is wiswspread.

He has never become familiar with word processors, and writes out articles and speeches long-hand with a pen. His stamina is prodigious. On the evening of the Bundesbank's landmark cut in its Lombard rate on September 14, Mr Schlesinger travelled to Kiel in north German to deliver an exhaustive 23-page speech, replete with footnotes, on "progress in European monetary integration" – which gave the most thorough theoretical explanation to date of why the Bundesbank was seeking a devaluation of weaker currencies in the EMS.

Nothing in Mr Schlesinger's career prepared him for the peculiar challenges he has faced since he unexpectedly took over the Bundesbank presidency last August. The task of steering Germany through the reunification shoals, while at the same time trying to keep the country on track for the politically necessary goal of European integration, has been much tougher than imagined.

Mr Karl Otto Pöhl, Mr Schlesinger's predecessor, who quit in full knowledge of the sizeable problems bequeathed to his former deputy, has considerably more experience in negotiating political quicksands. The more flexible Mr Pöhl, a former journalist, would probably have handled the vicissitudes of the past few months matters with greater aplomb, according to officials who know both men well.

Although also sensitive to criticism, Mr Pöhl would probably have shrugged off the latest barbs, knowing that action to blunt them would have prolonged the pain.

Even the astute Mr Pöhl, however, owed his downfall ultimately to his failure to find a *modus vivendi* with Chancellor Helmut Kohl over the financing of German unity. Far more than a consequence of any personal failing, Mr Schlesinger's setback is clearly a result, above all, of the extraordinary pressures which go with the job.

At today's Bundesbank press conference in Schwerin, northern Germany, Mr Schlesinger will have a further chance to set the record straight. September has been one of the toughest months of his life. Although some associates say the pressure he has faced might make him consider resignation, the most likely outcome is that Mr Schlesinger will soldier on until his planned departure next summer.

The risk, for him, is that the evident toughness of the Bundesbank's uphill struggle will, by then, leave Mr Schlesinger looking not so much dogged as simply worn out.

Chancellor Helmut Kohl mopping his brow yesterday during a three-hour ceremony in Boun to mark his 10th year in office as head of the country's coalition government

Spanish minister accuses Moody's

By Tom Burns in Madrid

EUROPEAN financial tensions settled on Spain yesterday after Moody's announced a review of Madrid's credit rating amid renewed speculation about a peseta devaluation.

The unrelieved strength of the D-Mark kept the peseta close to its ERM floor. The government denied rumours of another devaluation, but the peseta closed at Pta70.42 (39p), close to its ERM floor of Pta72.62.

On the Madrid stock exchange investors ignored angry finance ministry rejections of Moody's decision, and drove the general index to its lowest level in six years.

Mr Pedro Pérez, secretary of state for the economy, said that Moody's had made an "erroneous" appreciation of Spain's credit worthiness and that its conclusions were "not based on reality".

On Wednesday night the US credit agency said it was reviewing a possible downgrade of the Kingdom of Spain's current AA2 rating because of the "accumulation of imbalances" in the Spanish economy and the "less favourable external environment".

Madrid's already depressed stock exchange tumbled yesterday and the index dropped 4.4 per cent, its biggest fall of the year, to close at 185 points.

"Moody's announcement was the last straw, all the market needed to wipe out confidence," said Mr Peter Stephens of Barclays securities house in Madrid.

The Bolsa index is now back to its August 1986 level, at the point where it stood before the market began to perform strongly on the back of Spain's entry into the EC earlier that year.

Mr Pérez said Moody's decision to review Spain's rating did not take account of recent moves – such as the 1993 budget which was unveiled this week – to rectify financial imbalances.

"They (Moody's) could not have analysed the budget in depth because they had not the time to do so," he said.

The 1993 budget, said by the government to be the toughest in 20 years, restricts central government spending increases to only 3.7 per cent – a fall in real terms. The tough budget is likely to push up unemployment next year by 300,000 to beyond the 3m level.

The secretary of state implied that Moody's had confused Spain with Italy, whose rating was reduced by two points by the US agency last month. "There is simply no point of comparison, in political terms or in terms of any economic ratio, between Spain and Italy," Mr Pérez said.

Mr David Levey, head of Moody's sovereign risk unit, said it was not Moody's practise to debate public officials. "We have announced a review, not a conclusion" Mr Levey said. "We have pointed to fundamental areas of concern that are not determined by the details of a single budget."

Opening a debate in parliament yesterday on the ratification of the Maastricht treaty, Prime Minister Felipe González, said there was "no cause and effect" between economic problems in Spain and the construction of Europe.

Britain calls in German ambassador to express 'concern'

By Robert Mauthner, Diplomatic Editor

BRITAIN yesterday came within an ace of registering its first ever diplomatic protest to a European Community country when the Foreign Office called in the German ambassador in London to express its disapproval of the way the Bundesbank had publicised its views on the sterling crisis.

Though the Foreign Office stressed that it had merely "called in" and not "summoned" the ambassador, Baron Hermann von Richthofen, and rigorously avoided using the sensitive term "protest", there was no mistaking the message it was seeking to convey.

The official diplomatic terminology was sufficiently terse and to the point. Mr Tristan Garel-Jones, the minister of state at the Foreign Office, had expressed "the government's concern at the deliberate decision to disclose Dr Schlesinger's [Bundesbank President Dr Helmut Schlesinger] letter, and to make clear the government's view that the release of the document was unhelpful."

The document rebutted official British suggestions that the Bundesbank had failed to give sterling sufficient support in foreign exchange markets before it was floated. Its publication sparked off the latest in a series of Anglo-German rows.

A German official in London said that the embassy had decided to disclose the document with the consent of the Bundesbank. The adverse comment it had provoked in the British media had come as a surprise. Far from wanting to add fuel to the fire of Anglo-German relations, the intention behind the release of the document was to be helpful by demonstrating that the Bundesbank had offered substantial support to sterling.

The embassy's statement that the document was issued with the Bundesbank's consent was disputed by a bank spokesman in Frankfurt.

The Bundesbank had merely intended to provide the embassy with arguments backing up the central bank's position.

That assertion, however, did not tally with a statement put out by the German Foreign Office in Bonn, which said: "the release of Schlesinger's statement was made in good faith and in accordance with the Bundesbank." Baron von Richthofen, a spokesman emphasised, had not acted on his own.

Both the German Foreign Ministry and the Foreign Office in London attempted to pour oil on troubled waters by referring to the good atmosphere in which Wednesday's meeting in Bonn between Mr Klaus Kinkel, the German foreign minister, and Mr Douglas Hurd, his British opposite number, was held.

Though Mr Hurd had raised the issue of the letter at the meeting, the two sides had underlined the need to overcome the differences which had arisen over currency upheavals, British and German spokesmen said.

Red Baron's descendant does battle with British prejudices

FO summons fails to ruffle envoy

By David Marsh

MR Hermann von Richthofen, Germany's ambassador to the UK, is an unfailingly polite figure with an affection for most things British.

A distant relative of the Red Baron, the celebrated First World War fighter ace, he enjoys relating accounts of his visit to an Oxford men's outfitters where the owner insisted that his ancestor still owed money from a long-forgotten clothing bill.

Mr von Richthofen's civilised manner and his experience – he was the German foreign ministry's political director before he took up his London post – have stood him in exemplary stead on the diplomatic circuit. He has been a persistent advocate of the German government's proclaimed ambition of forging European unity – above all, to prevent further fragmentation and decline in the east.

His diplomatic mildness has not always endeared him to his ultimate master, the rough-and-ready Chancellor Helmut Kohl. But Mr von Richthofen has arguably been the best possible choice to represent united Germany on the UK stage. He has been on particularly active duty during the past two years trying to correct British prejudices over a resurgent united Germany.

Privately, he remains surprised by the ease with which anti-German resentment flows to the surface of British politics and the media. He cannot have enjoyed being called in by the Foreign Office yesterday to hear the British government's concern at the embassy's "deliberate decision" to release Mr Schlesinger's document.

Mr von Richthofen, however, realises that politics demands an element of play-acting. Even after being summoned to hear Whitehall's displeasure, neither his elegance nor his composure is likely to be too sorely ruffled.

Mr von Richthofen en route to the Foreign Office

Portuguese premier warns against two-speed Europe

By Patrick Blum and Andrew Gowers in Lisbon

MR ANIBAL Cavaco Silva, Portugal's prime minister, has called on fellow EC leaders to give an urgent boost to ratification of the Maastricht treaty in its agreed form by all 12 member states at the Birmingham special summit.

In an interview with the Financial Times, he warned against discussion of a "two-speed" Europe, under which some member states would forge ahead with economic and monetary union (Emu) more rapidly than others, and said that further debate on the structure and management of the ERM at Birmingham would run the risk of further destabilising EC currency markets.

"It is necessary to give another impulse to European construction (at Birmingham) to overcome the idea that the project has fallen apart," he said. "If we don't complete the ratification process, other issues will be poisoned." The Portuguese leader said the summit should focus on making a new effort to explain the European integration process to a sceptical public, and stressed the need for all 12 member states to act jointly.

Asked about recent suggestions that different EC countries might move at different speeds towards Emu, he said: "I think it would be very negative, and in several countries I think it would create a very negative reaction, not just in the south but in the north. If two speeds means a small group with a strong head – that is, Germany – I think that even in those countries whose currencies are linked to the D-Mark it would cause negative reactions from public opinion. I think that's not to the advantage of the Germans."

Mr Cavaco Silva forecast that the pound and the lira would return to the ERM, and said that recent instability enhanced the case for more intense monetary co-operation rather than diminishing it.

"When we examine very carefully the EMS, it seems there aren't too many deep changes to be made," he said in a gentle rebuff to Mr John Major's demand for reforms.

"Perhaps some adjustments (are needed) to the way the system is managed, but if anything is required it is more co-operation among the monetary institutions, not less. This points clearly to progressing as soon as possible towards monetary union," he said.

In the interview, Mr Cavaco Silva:

- Reaffirmed his commitment to the current parity of the escudo in the ERM, in the face of recent market speculation against it;
- Promised to press ahead with dismantling remaining exchange controls by the end of the year, while watching carefully for further signs of speculation within the country's banking system;
- Called for continuing wage restraint by Portuguese employers and trade unions and warned of spending cuts in the forthcoming budget.

ERM: THE ANGLO-GERMAN ROW

between the German Bundesbank and the UK Treasury over the ERM

scuppered the pound sterling

In part, these suspicions reflected Mr Schlesinger's cool reaction to the Bath communique promising no ERM realignment on September 5. They also mirrored a general awareness that the Bundesbank had been increasingly unhappy at the way the EMS – under the pressure of the drive in the EC to economic and monetary union – had become a system of quasi-fixed exchange rates since its last major realignment in January 1987.

These background factors gained added weight from suggestions circulating in financial markets that Germany had actively sought a sterling devaluation in the weekend talks in which the lira's devaluation was decided.

On this point, the Bundesbank and UK Treasury positions also appear opposed. This week's Bundesbank statement indicates that the German central bank at least thought a formal sterling devaluation was justified after it had applied to the federal government in Bonn on September 11 for *negotiations among the EMS countries* on a realignment. The UK Treasury said on Wednesday night that "no request was made by the German authorities to the UK that weekend that it, too, should realign".

According to monetary officials involved in the weekend talks (who incidentally are neither German nor British), the Bundesbank did want sterling to be devalued. But it did not go so far as formally to request such a move. According to one official, both the Spanish and UK *authorities* were "sounded out" to see whether they would follow the Italian move, but nothing came of these approaches.

This is a plausible explanation for a crucial mystery surrounding the events leading to Black Wednesday. However, no confirmation of the "soundings" has been forthcoming from Frankfurt. Yesterday, the UK Treasury insisted that "neither the German government nor the Bundesbank had proposed that sterling be devalued along with the lira".

There is a clear imbalance between this week's statements from the Bundesbank and Treasury. The bulk of the bank's statement concerns the nature and amount of support given to sterling by the German central bank. It underlines that D-Mark sales *in support of sterling were the largest* compulsory interventions ever undertaken for any partner currency in the EMS. It is understood that the support of sterling exceeded in volume terms the support provided for the French franc last week.

On the other hand, the UK Treasury statement pays scant attention to what clearly was a very major effort to support sterling by the Bundesbank.

The obsession of Mr Lamont and the Treasury *with the events immediately* before Black Wednesday conveniently obscures the more fundamental weaknesses of sterling that forced it to leave the ERM.

The UK's weaknesses were not lost on Mr Schlesinger, who is above all an economist. As foreign exchange market tensions began to build ahead of the September 20 French referendum on the Maastricht treaty, he was heard increasingly to express concern inside the Bundesbank at the UK's growing trade deficit at a time of prolonged recession.

He would recall that the ERM was established in 1979 as a system of fixed but adjustable parities. Later, after the crisis of sterling's departure from the system, he used a press conference in Washington at the time of *the annual meetings of the International* Monetary Fund and World Bank to express his wish that the ERM could return to the principles of *its founding* fathers with an acceptance that parity changes, if necessary, should be carried through in a timely manner and without crisis.

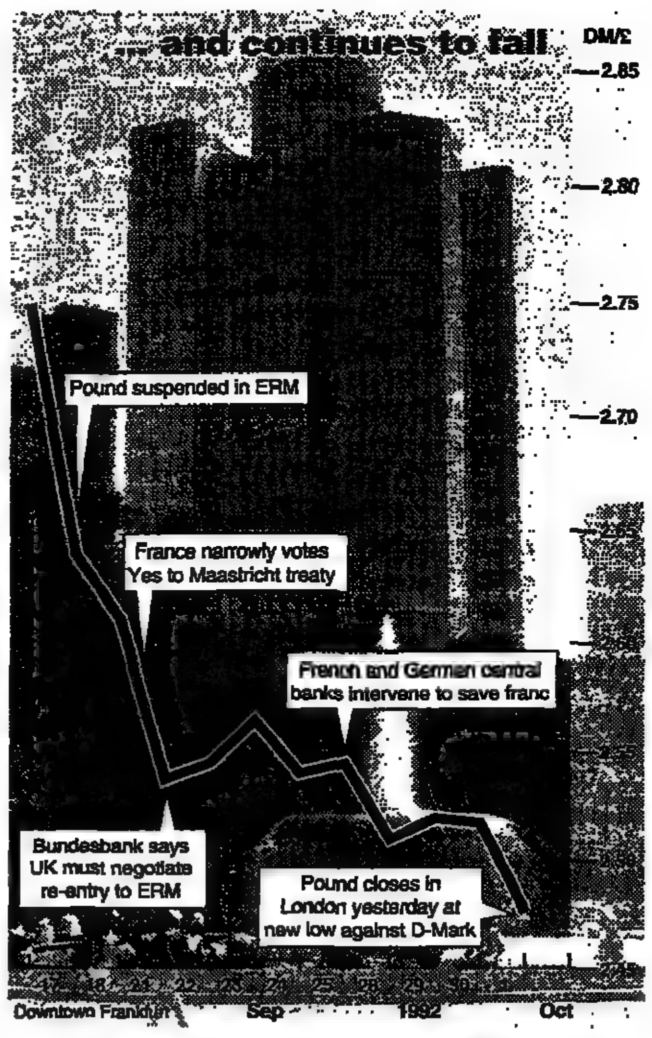
The Bundesbank's guiding light is the so-called Basle-Nyborg agreement of September 1987, in which EC ministers and central banks agreed some changes to the rules of the ERM *which were designed to ensure that* the costs of defending an unrealistic parity should fall on the weak currency countries in the system.

The Basle-Nyborg agreement established that intervention to protect a currency should ideally be carried out above its ERM floor and that resort should be made to interest rate increases to support a soft currency in the system once its weakness became dangerously apparent. The Bundesbank also interpreted Basle-Nyborg as a reaffirmation of its right, negotiated in 1978, to be able to call on the Bonn government to negotiate a realignment of parities when tensions in the system were becoming too strong.

On these criteria, the management of the ERM was found by the Bundesbank to be wanting in the increas*ingly volatile trading conditions of* August and September. The British authorities, for example, were both unwilling and politically unable to raise interest rates in August, despite sterling's weakness against other ERM currencies. The French government persistently refused to allow a relignment of currencies, arguing, until the system began to break apart, that no such measure should be permitted before the Maastricht referendum. In the final days before ster*ling's departure from the* system, the UK authorities failed to hold the pound above the lower intervention point against the D-Mark and let it fall its floor.

For these reasons the German authorities appeared less than mortified when sterling finally succumbed to speculative pressures and quit the ERM. Their attitude was not lost on a British government that had anchored its entire economic policy and political prestige on a sterling parity of DM2.95.

However, it is unlikely that relations between Germany and the UK would have deteriorated so far without the poisoning of personal relations between Mr Lamont and Mr Schlesinger. The UK's brief experiment with a fixed exchange rate *regime has foundered in* mutual recriminations between Mr Lamont, who is fighting to preserve his job, and Mr Schlesinger,who is striving to safeguard his reputation as the guardian of German monetary stability.



Downtown Frankfurt

Smaller states defend Brussels against big guys

Commission survives attempt to restrict its freedom of action

By David Gardner and Lionel Barber in Brussels

THE European Commission appears to have survived a power-grab by the EC's big member states seeking to dilute its sole right to initiate Euro-legislation.

The Commission has become the scapegoat for popular hostility to the Maastricht treaty, encouraging expectation that its powers would be badly blunted, mainly by application of the principle of subsidiarity.

Community leaders hope that subsidiarity – ensuring that the EC acts only where measures taken nationally or locally will be ineffectual – will recapture popular support for European integration.

This week, ambassadors of the Twelve agreed new measures to apply the principle of subsidiarity. But Germany, Britain and France, which had pushed for a formula whereby the Commission would have to submit its proposals to member states for scrutiny at the draft stage, were rebuffed.

Their efforts were vigorously opposed by the nine other member states, with the smaller countries in particular concerned that their more powerful partners would get a lock-hold on the Commission – and tilt legislation in their favour.

"The smaller countries rely on us to defend their interests," said one senior Commission official. "Without a Commission which performs, their stake in Europe is devalued."

What has been agreed "forces the Commission to think twice before coming up with something," said a Dutch diplomat, "but member states will not be able to force their opinions on the Commission."

Under existing EC law, the Commission proposes, the Council of Ministers (of the Twelve) decides, subject to some amendment from the European parliament. But responsibility for EC legislation is obscure because Commission measures are often taken at the request of member states.

Under the compromise unanimously agreed this week, a single state can raise objections to Brussels proposals by invoking subsidiarity. But in most cases it would require a simple majority to block them.

Foreign ministers will decide in Luxembourg on Monday whether to endorse this compromise, and subsidiarity will be at the top of the agenda at the Birmingham summit of EC leaders on October 16.

The Commission itself is already *screening all proposed* legislation in the light of subsidiarity. But senior officials including Mr Jacques Delors, the president, have been shaken by the virulence of recent attacks on "Brussels" – particularly those by Chancellor Helmut Kohl, hitherto viewed as a reliable ally.

This week's compromise, however, is merely "a working procedure", according to a senior official of the current UK presidency of the EC. Defining the scope of subsidiarity, and fleshing it out with more open decision-making *and democratic accountability*, is a battle still to come.

EC members hope that a full exposition of the principle of subsidiarity will help to convince Danish voters to reconsider their opposition to the Maastricht treaty.

Under one scenario circulating among senior diplomats in Brussels, a solemn and binding declaration could be prepared by the Twelve, promising to preserve national identities and to restrain centralising tendencies in Brussels.

This companion text to the Maastricht treaty could then be put to Danish voters in a second referendum next year, without the need to submit it to ratification in other states.

*The force of popular opposi*tion to Brussels has encouraged national leaders to examine other ways to open up decision-making in the Council of Ministers. Professional civil servants accustomed to working behind-closed-doors are reluctantly preparing studies – though many are appalled at the prospect of proposals such as televised hearings of Council proceedings currently being reviewed in European capitals.

Ireland suffers on two fronts

By Tim Coone in Dublin

IRELAND'S industrial and farming sectors are suffering the double bind of high interest rates and a poor exchange rate for exporters.

About 31 per cent of Ireland's exports go to the UK, and around 42 per cent of its imports are sourced there. So while the Irish government is battling to maintain the punt inside the ERM, the currency's value against sterling is undermining the country's exports.

Sterling's devaluation against the punt is also hitting manufacturers in the domestic market as British exporters seek new opportunities in Ireland.

Yesterday sterling fell to an unprecedented 1.055 to the punt. Most analysts consider that a 1.05 sterling/punt exchange rate is the maximum the economy can withstand without serious disruption, although most also believe the government will try to tough it out even if sterling drops as far 1.10.

Since sterling abandoned the ERM, Dublin has said it is determined to defend the punt and keep it within the ERM.

Base rates rose last Monday by 3 percentage points, putting increased pressure on profit margins of farmers and manufacturers, and upon household *budgets as mortgage rates also* went up. The government says it believes these measures will be temporary.

According to Mr Colum MacDonnell, chief executive of the Irish Exporters' Association, "it is a pretty disastrous situation for those who sell most of their produce to the UK and who source their raw materials in Ireland".

The worst-hit industries are mostly indigenous Irish companies, concentrated in the food, textiles and consumer products sectors.

"For them the UK is a price sensitive market, where margins have been eroded by very competent and competitive buyers. Although Irish market share has increased over the past 4-5 years, margins are now very slim."

The food industry works on profit margins of between 3 and 8 per cent, he said, "so the 12.5 per cent price change we have seen in the past 10 days, and then the interest rate increase of 3 percentage points, *is creating a hopeless situation* for many companies".

More than a third of his association's members "are now *facing* serious problems".

Large retailers in Ireland are cutting prices. Mr Feargal Quinn, chief executive of Superquinn supermarkets, one of the four biggest retail chains, with an annual turnover of some I£200m, said: "We have made substantial price cuts of around 5 per cent on a wide range of products we are buying from the UK."

In the agriculture sector, sheep, pork and mushroom producers face financial ruin.

Mr John Elmore, a spokesmen *for Ireland's 52,000* sheep farmers said: "Even before the devaluation it was already difficult to compete.

"Prices at 78p per pound have been at their lowest ever since before joining the common market, and now we have seen a further 10p per pound fall, and sterling is still going down."

Hurd holds the line against isolationists

By Philip Stephens, Political Editor

BRITAIN'S foreign secretary, Mr Douglas Hurd, yesterday began the process of rebuilding his government's European policy with a strong warning that an attempt to renege on Maastricht would deprive Britain of vital political and economic influence.

In a speech approved in advance by the British prime minister, Mr John Major, as a formal statement of government policy, Mr Hurd warned his party's Eurosceptics that the government would not bow to isolationist calls.

He signalled that although the bill to ratify the Maastricht treaty might not return to the House of Commons until next year, ratification would not have to wait for the outcome of a second referendum in Denmark: "We want to help the Danes, not hide behind them."

Speaking to the European Policy Forum in London last night, Mr Hurd sought to allay fears that Maastricht would provide the blueprint for a *European super-state*. He confirmed that a commitment to give substance to the clause in the treaty on the principle of subsidiarity would be a priority at this month's EC summit in Birmingham.

The Twelve needed to show their citizens that in practice "the Community, so far from smothering national identity, builds on the work of nation states, that national parliaments are crucial to the democratic control of the Community, that none of us wants a bureaucratic centralised homogenised Europe".

He played down concern about a two-speed Europe, commenting: "In fact we already have a multi-speed Europe and no harm done."

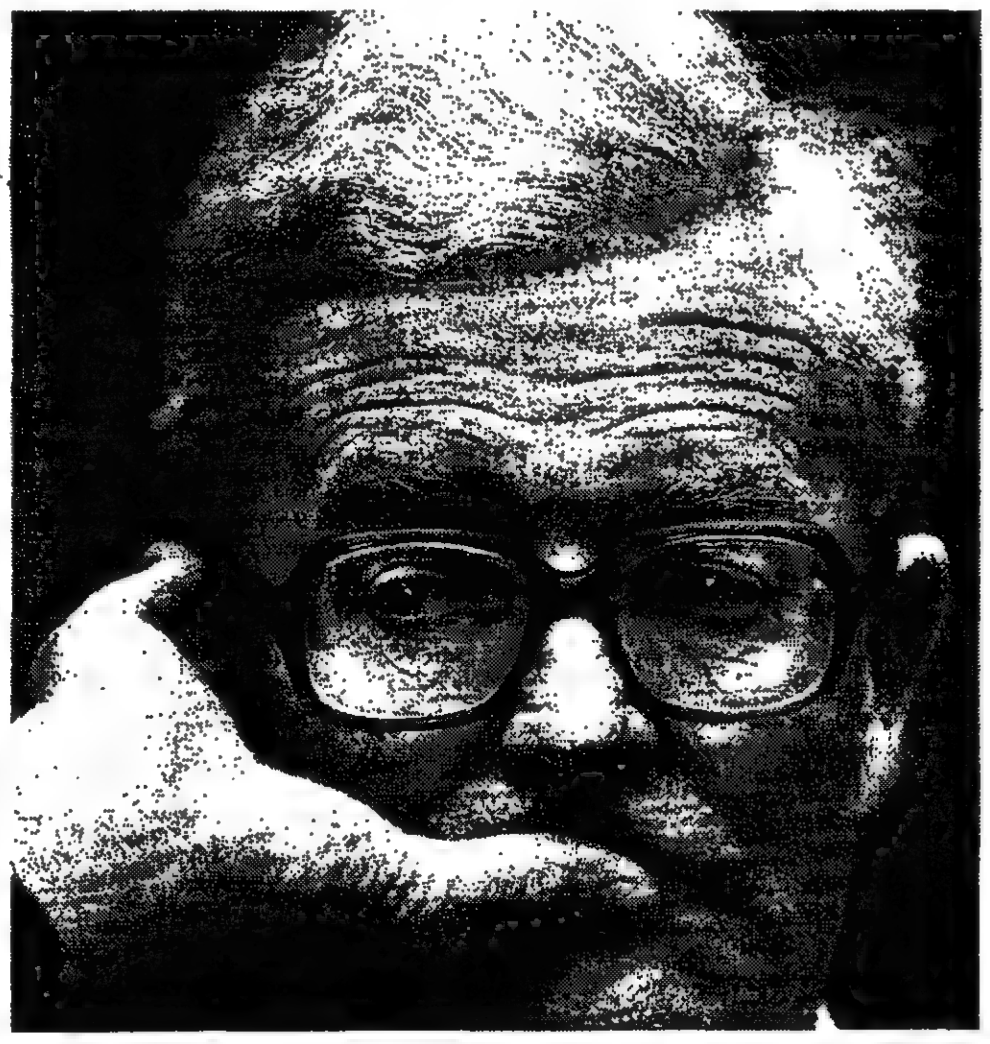
However, Mr Hurd insisted that the government had to *stick to a principle which had* run through the heart of British foreign policy through the centuries: "It is against our fundamental interests so to isolate ourselves from the continent of Europe that policies are organised there which crucially influence our security or our prosperity but in which we have no say." In a sideswipe at the Euro-sceptics he added: "If that happens, we keep our sovereignty as a slogan, and lose its substance."

The foreign secretary signalled that the government would not scrap its commitment to eventual re-entry into the European exchange rate mechanism. Despite indications that Mr *Major* believes that it will be more than a year – and perhaps as long as two – before sterling can again be linked to the D-Mark, Mr Hurd suggested that abandonment of the ERM would threaten in the medium term to "drain the strength away from our own financial sector".

He marked the start of a campaign by the government to rebut what it sees as the scare tactics of opponents of the treaty by insisting that Maastricht was "by no means as revolutionary" as the Rome Treaty or the Single European Act.

The intergovernmental basis of the latest treaty meant that "under Maastricht co-operation *will develop, but with national* governments firmly in the driving seat". He dismissed the notion that the concept of "union citizenship in the treaty threatened national indentities".

He concluded that "as applied to Britain its [the treaty's] substance is neither miraculously splendid nor *destructive of national identity*". But without the agreement it would be much harder for Britain to ensure that its agenda for Europe – full implementation of the single market, freer trade with the rest of the world and enlargement – remained the EC's priorities. "We are winning the arguments. Now is not the *time to knock over the table.*"


Ashley Ashwood

Hurd: "We are winning the arguments. Now is not the time to knock over the table."

Conservative MPs turn fury on Bundesbank

By Alison Smith

TORY Euro-sceptics reacted with fury to the publication of the Bundesbank note about who was to blame for sterling's difficulties on "Black Wednesday", queueing up to make their views known.

Perhaps more surprisingly – but also more significantly – their response offered immediate support for Mr Norman Lamont, the *chancellor. Earlier in the week* some of the same MPs had condemned him for his perceived apology to the Germans over press coverage of Bundesbank behaviour as the pound was suspended from the European exchange rate mechanism.

Indeed, it was the sort of rhetoric adopted by the Euro-sceptics after Black Wednesday and Mr Lamont's apparent apology that may have contributed to the Bundesbank's decision to make available as it did the information about its own actions as sterling fell out of the ERM.

Even after a senior minister had urged an end to the slanging match with Germany, leading Euro-sceptics continued to speak out.

Mr Kenneth Baker, a former cabinet minister, described the release of the paper as a "disgraceful episode", and insisted that Mr Lamont should not resign.

"If Norman Lamont were to *go as a result of that, in effect* the chairman of the Bundesbank would virtually be appointing the British Chancellor of the Exchequer. I don't think that is acceptable," *Mr Baker said* on BBC radio.

Sir Teddy Taylor MP, secretary of the dissident Tory Euro Reform Group, called the row an "undeniable insult" to Britain.

"Within days of the chancellor apologising to them *for their distress at the* criticisms of the Bundesbank, they are rubbing our noses in it," he said.

Another Tory MP, Mr Stephen Milligan, accused the Bundesbank of pointlessly trying to stir up the row, albeit in more measured tones than some of his colleagues.

"The problem, it seems to me, is that both sides are looking for a villain to explain what happened to sterling on Black Wednesday.

"It wasn't the Germans, it wasn't the British Government, it was a combination of events, notably the imminence of a French referendum," Mr Milligan said.

The leadership of the opposition Labour party, meeting in Blackpool for their annual conference, entered the row on the Bundesbank's side, claiming it as evidence that the government had been "economical with the truth". Labour Euro-sceptics seemed less enthusiastic than their Tory counterparts to enter the *row on either side.*

Europe likely to dominate Conservative party conference

Tories prepare for internal warfare

By Alison Smith

THE British Conservative party could be engaged in open warfare over its approach to Europe almost as soon as its annual party conference opens in Brighton next Tuesday.

A series of fringe meetings to the conference offer the prospect of public divisions between senior ministers and party rebels. Almost every shade of attitude towards Europe will be voiced in occasions ranging from a discussion of "the sufferings of a dependent economy in the exchange rate mechanism" to a *meeting of the European* People's party.

The greatest sensitivity is likely to attach to Wednesday's meetings. Mr Douglas Hurd, the foreign secretary, will address a lunchtime fringe meeting on "current challenges" in British foreign policy, and later the same day Mr Norman Lamont, the chancellor, delivers the Conservative Political Centre lecture, entitled "Europe – a community not a superstate".

Ministers are anxious to avoid the jarring that occurred last weekend, when Mr Michael Howard, the environment secretary, was interviewed about the government's approach to Europe at almost the same time as Mr John *Gummer, the agriculture minister*, was describing the policy in a somewhat different tone.

Party managers are also nervous about the prospect of Lady Thatcher's appearance at the conference, knowing that she could give a unique boost to the Euro-sceptics. Sir Norman Fowler, the party chairman, met the former prime minister yesterday to agree the arrangements for her visit.

On the other side of the argument, Sir Leon Brittan, an EC Commissioner and former cabinet minister, will speak at two meetings on Thursday about the Community after the Maastricht treaty. The leading Euro-sceptic MPs and peers *have already organised* a relentless series of meetings. Lord Tebbit, a former cabinet minister, is to address the Selsdon group on Tuesday, Lord Ridley, another former cabinet minister, is to speak to a group called Conservative Youth against European Federalism on Thursday, and Mr Michael Spicer, a *leading Euro-sceptic* MP is at fringe meetings almost every day.

The Euro-sceptics may also have high hopes of the address on "Toryism post-Thatcher" to be given to the Young Conservatives by Mr Kenneth Baker, the former home secretary who has become a heavyweight critic *of* policy on Europe.

Bank of France spent FFr80bn supporting franc through crisis

By William Dawkins in Paris

CONFIRMATION that the French central bank spent around FFr80bn (£9.4bn) in defending the franc during the currency crisis emerged yesterday in the Bank of France's weekly report.

The report reveals that the bank's net external position fell by nearly FFr83.4bn in the seven days to September 24, last Thursday. Around 95 per cent of this will have been spent in intervening to support the currency, said economic analysts.

The figure also includes other transactions on the official account, *not all of which* are split out in the weekly report, so it is not possible to come to an exact figure for intervention. However, it does indicate that the Bank of France has very little left from its currency reserves, which stood at FFr97.7bn at the end of August. The Bank of France had no comment yesterday.

The report also reveals that the bank's holdings of short-term paper rose by FFr70.5bn over the period, representing the amount it has lent to French commercial banks, seeking a cheaper source of funds than the overnight money markets.

Rates for call money have climbed *steeply since the* French central bank started to intervene, to more than 25 per cent earlier this week. However, they began to ease yesterday towards 15 per cent as the central bank injected more liquidity into the markets.

The figure emerges a day after the French government tabled a cautious budget in an *attempt to hold off* a new attack against the franc.

It suggests that the central bank might find it harder to intervene to support the currency if the markets launched another attack on the scale of last week's currency crisis. Since last week's intervention the franc has held above its *floor against the D-Mark.*

Kevin Maxwell: book will feature his own experiences

Maxwell to write book on surviving bankruptcy

By Raymond Snoddy

MR KEVIN Maxwell, who last month became Britain's biggest ever bankrupt, is planning to write a book on the problems of those facing personal bankruptcy.

Mr Maxwell, who plans to co-write the book with a journalist, said he had had expressions of interest from a number of publishers.

The book would aim to help people survive the trauma of bankruptcy. Only one chapter would be about his own experiences – what it has been like to be Britain's biggest bankrupt with debts of over £400m.

The book is partly a response to hundreds of letters Mr Maxwell, who also faces criminal charges of theft and conspiracy to defraud, has received from bankrupts. Many were letters from people who said they were on the verge of suicide because of their experiences.

A proportion of any money earned from the book will go to the creditors who are in the main the stripped Maxwell pension funds.

Mr Kevin Maxwell has also decided to stop claiming unemployment pay from next week and try to set up work as a consultant. He recently attracted publicity when he tried to sign on for unemployment in Oxford – and went to the wrong place.

One piece of consultancy work has already come his way and he will in future seek work in areas of the media and publishing and in restructuring companies – but he will not be involved in anything to do with financial services.

Mr Maxwell believes consultancy is likely to be the only kind of employment he will find until the charges against him come to court, which may not happen until 1995. He has abandoned as unrealistic attempts during the summer to raise $10m to launch an international media venture partnership.

Water companies told to cut prices by 2%

By Bronwen Maddox, Environment Correspondent

WATER company shares dropped yesterday following the decision by Ofwat, the water industry regulator, to seek a 2 per cent cut in water charges for 1993-94 from 19 of the 32 water companies in *England and Wales.*

Because of the recession, the 10 publicly-quoted water and sewerage companies and nine of the 22 water-only companies have been able to carry out their capital investment programmes at lower cost than projected in 1989, Ofwat said.

Mr Ian Byatt, Ofwat's director general, said yesterday: "I need to ensure that customers *get the service for which they* have paid." His decision follows Ofwat's warning last month that water bills could double in real terms by 2005 because of the huge investment needed to meet new environmental rules.

Ofwat's report was described as "Short-termism – worse *than ever" by Mr Michael Hoff*man, chief executive of Thames Water.

Mr Graham Harker, *managing* director of Welsh Water, said, however: "Ofwat wants us to keep 1.5 points below the maximum increase allowed – which we had already told customers we would voluntarily do back in July".

The 10 water and sewerage *companies on which Ofwat has* served notice are: Anglian, Welsh, North West, Northumbrian, Severn Trent, Southern, South West, Thames, Wessex and Yorkshire. The nine water-only companies on the list are: Bournemouth and West Hampshire, Cambridge, East Worcester, Mid Kent, North Surrey, South East, *Tendring Hundred,* Three Valleys, Wrexham and East Denbighshire.

Last year Ofwat asked water companies to volunteer to hold back price increases by an average of one percentage point. It is formally recommending that they continue that reduction, and also make a further one point cut in increases from 1 April 1993. *Companies with high spending* levels may face bigger reductions than the average.

Ofwat's decision, known as an Interim Adjustment, took the stock market by surprise as analysts had not expected formal changes to the charging structure ahead of Ofwat's periodic review in 1994, a wide-*ranging industry assessment.* Ofwat said it was not pre-empting the review but that costs were lower than the government projected in 1989.

In its 1991-92 report on capital investment and financial performance in the water companies in England and Wales, also published yesterday, Ofwat said "the pre-tax profits of the regulated water companies, *adjusted for inflation,* rose by 8 per cent in 1991-92 to £1.2bn – rather faster than had been expected".

Construction prices are 15 per cent below 1989 projections, and companies had also benefited because the November 1990 increase in the retail price index, on which their *charges are based, was greater* than the average rate of inflation during the year, according to the report.

Water companies can issue a counter notice to Ofwat within the next 14 days if they believe other capital spending has offset the benefit from lower construction prices.

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Industrial espionage helped railway supplier, court told

By John Mason

PLASSER Railway Machinery GB, the rail maintenance suppliers charged with bribing British Rail staff, benefited from industrial espionage committed by someone inside the state railway's civil engineering department, the Old Bailey heard yesterday.

Police who raided Plasser's London offices in September 1988 found confidential BR documents in the desks Mr Norbert Jurasek, the company's managing director, and Mr Michael Brooks, company secretary, the court was told.

The documents included drawings submitted to BR as part of a tender by NEI, a rival of Plasser, and confidential details of BR policy, said Mr Michael Worsley prosecuting.

Plasser, Mr Jurasek, and Mr Brooks deny nine charges of offering bribes to Mr David Currie, former head of BR's civil engineering department. Mr Currie denies nine charges of accepting bribes. All four deny trying to bribe other BR staff.

There was no evidence Mr Currie had stolen the documents, Mr Worsley said.

The only sensible conclusion, however, was that the documents had been stolen by somebody in the civil engineering department, he added.

Earlier, the court heard how Mr Currie had denied to police that he broke BR's guidelines on the acceptance of gifts from companies. The code of conduct said that to preserve BR's integrity, only "trifling" gifts such as diaries and calendars could be accepted.

Mr Currie, however, had accepted air tickets from Plasser worth thousands of pounds along with other gifts, Mr Worsley said. Another BR executive had another case of wine delivered to his home after he had asked Plasser to stop sending him gifts. He poured the wine down a sink and protested to the company, Mr Worsley added

On one trip to a night club, staff from BR's civil engineering department ran up a bill of over £3000 – all paid for by Plasser, he said.

The case continues.

Green report highlights key failures in policy

By Bronwen Maddox

TAXES and permits head a list of 441 measures to improve the environment in the government's second annual progress report on its green policies.

The 192-page report, published on the second anniversary of the policy document *This Common Inheritance*, lists the progress – or lack of it – on more than *440* environmental commitments.

Mr Chris Smith, Labour environment spokesman, attacked the document as "appallingly self-congratulatory" and joined environmental groups in criticising its failure to integrate transport and energy policies with green issues.

Presenting the report Mr Michael Howard, environment secretary, said :"I have a general preference for economic instruments where they work more effectively than regulation". On concern that taxes and permits could be inflationary, he said: "We can always take steps to neutralise the fiscal effect."

Among possible tools, the government *is* considering higher fuel prices, road pricing, tradeable permits for industrial emissions, and a carbon tax.

The report spells out key failures in government policies:

- A year's likely delay in publishing the review of renewable energy, due spring 1992.
- Over a year's likely delay in publishing a strategy for nuclear research, due late 1991.
- Failure of most local authorities to publish recycling plans by deadline of August 1992.

End of the day: a worker leaves the Barrow-in-Furness yard where defence cuts following the end of the cold war are blamed for job losses *Picture: Alan Harper*

VSEL cuts further 390 jobs

By Ian Hamilton Fazey, Northern Correspondent

ANOTHER 390 redundancies were announced yesterday by VSEL, the nuclear submarine shipyard in Barrow-in-Furness, north-west England.

The cuts will reduce the workforce to less than 8,000 from 14,500 two years ago.

The company said yesterday it may have to cut the workforce to about 5,000 because of defence cuts following the end of the cold war and the difficulties in breaking into civil markets – such as offshore components – during the recession.

The latest cuts by VSEL will take effect in January. Numbers needed for the development stage of Britain's Trident submarine programme peaked at about 14,500 just as construction of HMS Vanguard, the first of four boats, began. Vanguard was rolled out earlier this year and is scheduled for sea trials this month.

The next two submarines – Victorious and Vigilant – are in production at 18-month intervals behind Vanguard, while parts of the fourth boat, still unnamed, are in the pre-assembly stage. The total programme will guarantee about 5,000 jobs to the end of 1994.

By then unemployment is predicted to rise to 15.4 per cent in the Barrow area, to 16.5 per cent around Whitehaven and to 17.7 per cent around Workington.

The latest job losses will add urgency to the visit to Barrow today of Mr Michael Heseltine, President of the Board of the Trade, who will launch the Cumbria Marketing Initiative.

Industrial and county leaders will press Mr Heseltine for development area status so all three areas can compete on an equal footing with Scotland and Wales – seen as principal rivals – in offering financial aid to inward investors.

The new £1m initiative is aimed improving the promotion of Cumbria – England's most peripheral county in European terms – to potential inward investors. It is supported by British Nuclear Fuels (BNF), Cumbria County Council and the Department of Trade and Industry.

BNF is shedding about 1,000 local jobs over the next six months now construction of its thermal oxide reprocessing plant at Sellafield.

Veterans prove life and soul of the party

Ivo Dawnay laments Labour's comatose conference

FOR JUST a few minutes, the Labour conference turned into its old self yesterday. And inevitably, it was the platform veterans – Mr Arthur Scargill and Mr Dennis Skinner – who brought the floor to its feet.

With rip-roaring "I-told-you-so" speeches on the decline of the coal industry, the two warhorses invoked the spirit of the miners' strike, class war and other defeats.

To top it off, there even followed a spat with the right-wing engineers, accompanied by the magical music of boos and jeers that, in the good old bad old days, alerted reporters to the prospect of a story.

But, as has characterised this listless week in Blackpool, there was no real story, merely a bit of blowing off steam.

But Mr Alistair Darling MP, the new City spokesman on Labour's modernist wing, said: "The main stories have been elsewhere - with the prime minister and the chancellor."

The steely grip on conference of the the leadership has has been the true and unspectacular story of the week.

There have been a few fleeting gestures of resistance. Yesterday bleary-eyed delegates arrived to find that the old union barons had fired a warning shot on reform of their block vote by passing a motion, all but ruling out any substantive change to the party-union relationship.

Yet, elsewhere, there were some clues to the readiness of the party to roll over and play the leadership's game.

Another motion, calling for the maintenance of Clause IV – the commitment to public ownership – was voted down by 4.3m block votes to 1.2m.

Similarly discreetly, Blackpool '92 also voted for the conference's own emasculation. A new mechanism for policy making, dominated by the National Executive Committee under Mr John Smith's leadership, will reduce its future powers to those of veto.

Taken with the convincing election of his closest aides, Mr Tony Blair and Mr Gordon Brown to the NEC and the ejection of Mr Skinner and, humiliatingly, Mr Bryan Gould, the leader now has firmer control over Labour's highest forums.

The principal question-mark that has dominated the past four days centres on whether Labour has done anything this week to alter an image as outdated and as unrepresentative of modern Britain as the red-brick seaside resort of Blackpool itself.

Mr Smith's speech promoted the stolid values of the 1950s – moral, austere, pragmatic, but proved entirely devoid of signposts as to which way the party has to go.

Longtime conference-goers have remarked that this year it has been flatter and duller than any they can remember. There has been no real debate of the causes that lay behind the April election defeat, nor on how they should be addressed.

Introspective, but shallowly so, Labour appears more and more like the Church of England – ready to change just enough to irritate some of the traditionalists, but not sufficiently to win new converts.

Time and again, the leadership appeared to devote its time to reassuring the faithful, reminding those who need no reminding of Labour's values, without explaining how they can be sold to those who have four-times rejected them.

Even new bloods like Mr Blair *have felt obliged to recite* the liturgy, while Mr Brown paid lip-service with an entirely unexplained and unconvincing promise to tackle foreign exchange speculators.

Not one leading spokesman addressed head on how the individualist, not to say greedy, south of the country is to be persuaded *to mend its* ways. Or, alternatively, how Labour will mend its own.

That, we are promised, will come next year, This was a conference about reminding ourselves we are still alive and fighting," one official said.

It is unfortunate, nonetheless, for the "moderniser" faction that Scargill *and Skinner* has proved the best double act in the show.

Britain in brief

Tarmac deal raises fears of job cuts

Tarmac, Britain's biggest construction and building materials group, has taken over the projects division of the state Property Services Agency, raising fear that the jobs of 900 government employees could be at risk.

The government has paid the company almost £50m to take over responsibility for the division, one of the country's biggest construction organisations.

The projects division which employs 1,800 has for many years designed and managed the construction of buildings for government and other public sector bodies. Tarmac said it could guarantee work for only 925. *The* Environment Department said it was too early to say how many people would be left without work.

Customs income rises by 12%

The income from tax and duties by increased by 12 per cent to £62bn, in spite of the effects of the UK recession, according to the annual report of HM Customs & Excise.

The accounts for the year to March 31 show that £36bn – or more than 57 per cent of total revenues – came from value added tax, with a further £11bn from hydrocarbon oils.

Only two areas of revenue declined. Car tax fell 15 per cent to £1.2bn and duties on matches and mechanical lighters by 13 per cent to £15m. Costs of collection rose 12 per cent to £643m, leaving costs as *a proportion of revenues* unchanged on last year at 1.03 per cent.

Cadbury cuts 450 jobs

Cadbury, Britain's largest chocolate manufacturer, yesterday announced 450 job losses among sales and office staff. Most of the jobs will come from its main site at Bournville, Birmingham, with the remainder from Somerdale, near Bristol, Chirk, near Wrexham, Clywd, and Marlbrook, near Hereford.

3i to close regional offices

3i Group, the venture capital company which is preparing for a stock market flotation next year, is to close nearly a quarter of its regional offices and make 100 of its staff redundant. The company will shut five of its 22 offices outside London in response to changing economic patterns and the development of improved motorway communications, Mr Ewen Macpherson, chief executive said.

New design orders decline

New design orders for construction work have fallen and there is little chance of improvement next year, the Royal Institute of British Architects said in its quarterly report.

The value of new commissions fell 14 per cent to £1.12bn in the second quarter of this year. Wales and Scotland were worst affected, with 36 per cent falls in orders. The south-west was the only area to record a rise in new commissions, up 14 per cent, although architects there were pessimistic about the next six months.

Pressure on community care

Mrs Virginia Bottomley, Health Secretary, is under pressure to fill in the financial details of next year's community care reforms when she addresses social services leaders today.

The biggest-ever changes in community care, based on a policy of providing services for elderly and handicapped people in the community rather than in institutions, is only six months away from implementation.

But Mrs Bottomley, locked into a difficult public spending round, has not been able to allocate budgets to local authorities, which will be responsible for co-ordinating the new arrangements.

Vauxhall to cut car prices

Vauxhall, the UK subsidiary of *General Motors*, is extending its campaign to reduce the list prices of its cars with cuts of up to £1,188 in the prices of its *Cavalier, Calibra* and *Senator* ranges.

At the same time it is reducing its dealer margins on the *cars from 17.5 to 10 per cent,* however, which means that actual transaction prices with customers are unlikely to be reduced. The move reduces the scope for discounting by dealers.

Safety fears on roofing

Nearly a quarter of all roofing jobs checked by inspectors this summer had to be shut down because they were in breach of safety law, according to the Health and Safety Executive.

The four-month national inspection blitz of 2,596 roofs *has so far produced 29 prosecu*tions at a cost of £200,000 since it was launched last February, although it is not yet clear if all were successful.

Tecs awarded £27m bonuses

Thirty-three Training and Enterprise Councils (Tecs) have been awarded bonuses totalling more than £27m for achieving a number of government training targets.

Top of the league was Calderdale and Kirklees Tec in West Yorkshire which was awarded £2.4m followed by *Barnsley and Doncaster Tec* (£1.78m) and Lincolnshire (£1.75m). The total bonus figure was double the amount paid last year but the Department of Employment said direct comparison was difficult as not all Tecs – the business-led organisations which deliver Government training schemes in *England and Wales* – were operational then.

Former tobacco chief dies

Geoffrey Kent, former chairman and chief executive of Imperial Group, who led the tobacco conglomerate's unsuccessful defence against Hanson's takeover bid in 1985-86, has died at the age of 70.

Mr Kent, who with a deceptively diffident public manner had brought a disciplined hands-on management style to Imperial in the four years of his leadership, resigned from the group after the take-over.

After the Hanson takeover, which overturned plans for a merger of Imperial and United Biscuits, he remained unattached to any company for two years, until Mansfield Brewery invited him to become its chairman.

Herbal sales set to grow

Pharmaceuticals giants and consumer products groups are quickly moving into the herbal remedy market, according to a report* by consultants McAlpine, Thorpe & Warrier.

The report shows that companies such as Rhone-Poulenc Rorer and Sanofi of France, Johnson & Johnson and Merck of the US, and Ciba-Geigy and Sandoz of Switzerland have made acquisitions of herbal medical companies in the last three years.

The report estimates there are more than 2,000 herbal medical companies in Europe and more than 220 in the US. Most companies in this highly fragmented sector do not have sales beyond their national bases. More than 90 per cent of these companies have a turnover of less than £5m and the same percentage is privately owned. The largest company is Proctor & Gamble; its herbal laxative Metamucil has sales of £80m a year.

The pharmaceutical groups are attracted by the fast growth of the herbal medicine market which is expanding more rapidly than the traditional over-the-counter sector. In the US, UK and Italy it is growing at between 12 per cent and 15 per cent a year by value.

The report argues that greater knowledge of the side-effects and dangers of modern medicine will drive demand for herbal medical drugs. The increasing size of the geriatric market in western countries will also be a factor.

The report warns that there is a danger of new regulatory requirements for herbal products equivalent to those existing for pharmaceuticals. This would stifle the introduction of new products and diminish the effectiveness of existing products through the reduction in the number of ingredients they are allowed to contain.

Germany is the largest market in the world for herbal medicines, with annual sales of £1.2bn representing nearly 25 per cent of the national pharmaceuticals market. About 40 per cent of these sales are sold on prescription. The US is the next largest with sales of £480m.

Paul Abrahams

**Competitive positioning: Who's doing what in the herbal medical industry. McAlpine Thorpe & Warrier. Price: £1,900. Telephone: UK, 071 370 2255.*

A chain reaction

A simple method of analysing genetic material could be worth billions of dollars, report Clive Cookson and Jennie Lynch

A technique for amplifying tiny quantities of genetic material – the polymerase chain reaction (PCR) – is revolutionising research in molecular biology while creating a market that is likely to be worth $1bn (£500m) a year by 1996.

Commercialisation of PCR had been delayed by disagreements over the ownership and rights to license the technology. Now, after several protracted legal wrangles, it rests securely in the hands of Roche, the Swiss chemical and pharmaceutical group.

PCR is probably the most important development in genetics research since the discovery of gene-slicing in 1973. It enables geneticists to identify a particular gene or part of a gene and then make multiple copies at an exponential rate, so they can obtain enough material for analysis.

Prior to PCR, every time a gene was studied it had to be inserted into bacteria or other cells – a process called cloning – and then grown in a culture. Now any gene can be studied without cloning, even if it is present in quantities that are too small to be detected or analysed directly. Until now, DNA testing methods have not been sensitive, fast or cheap enough to be generally useful.

"The potential of PCR boggles the mind," says Werner Zolg, a Roche PCR specialist. Applications cover basic research, medical diagnosis, environmental protection, archaeology and forensic medicine.

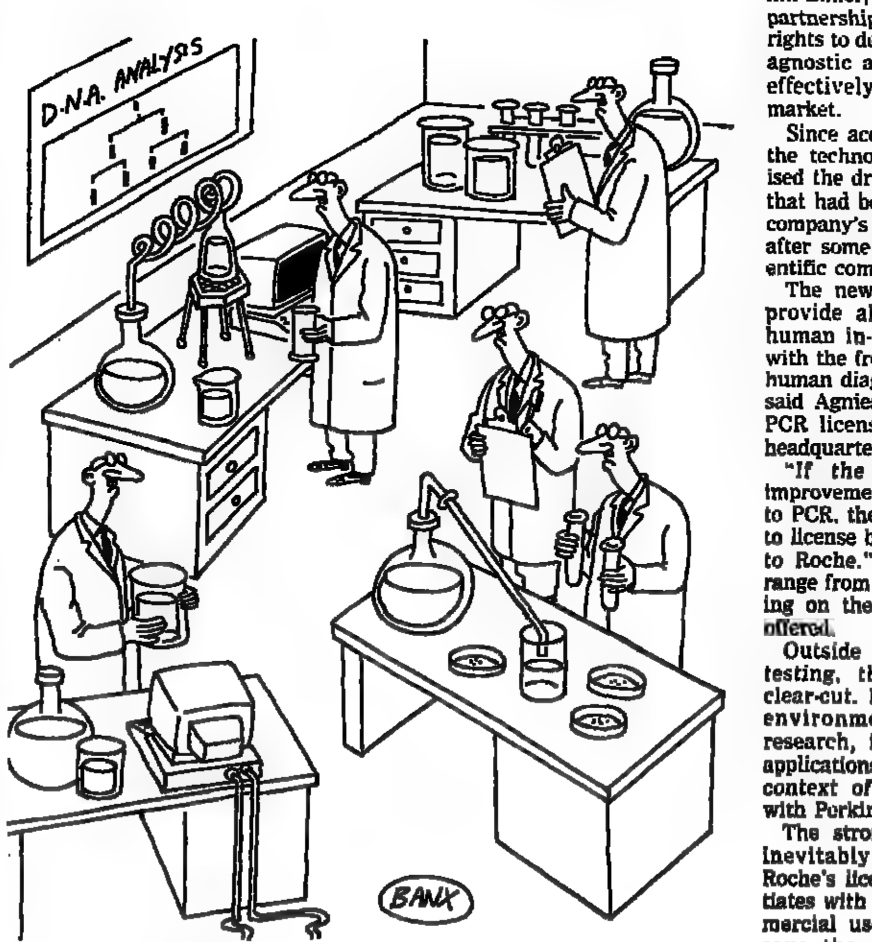
It enables scientists to analyse minute traces of genetic material from diverse sources such as fossilised leaves and frozen mammoths, rape and murder scenes, and bacteria and viruses. Roche scientists like to describe PCR as a method by which scientists can "find a needle in a haystack and then build a stack of needles".

Dozens of new experiments using PCR are published in scientific journals every week. A recent example from Nature is a project to analyse the genetic diversity and feeding habits of an endangered population of brown bears in northern Italy by amplifying DNA sequences from their droppings.

But tests to diagnose human diseases are likely to represent the largest market.

PCR was first made public in 1985 by Cetus, a Californian biotechnology company. One of its researchers, Kary Mullis, came up with the idea of exponentially increasing gene pieces. After making sure it worked, he had to persuade Cetus the project was worth pursuing.

The technique is based on natural enzymes which cut and amplify the genetic chemical DNA. Initial attempts used an enzyme which broke down when heated. Since heating is an essential part of the PCR process, more enzyme had to be added at the end of each of the 30 or so cycles – a labour-intensive process. Cetus researchers solved the problem by isolating a heat-stable version of the enzyme from a microbe which thrives in hot water springs. This was an important advance because it allowed the technique to be automated.



Cetus then acquired a partner, the US scientific instrument maker Perkin Elmer, which took responsibility for producing and marketing an automated PCR machine. It also entered into an agreement with Eastman Kodak to develop diagnostic systems.

In 1989 Cetus ended this association with Eastman Kodak in favour of another with Roche, permitting Roche to administer licences for diagnostic uses of PCR and to prosecute those using the technique without a Perkin Elmer machine. Eastman Kodak claimed exclusive rights over certain applications and was worried that a deal with Roche might lead to a conflict of interests. Negotiations between the two did not lead to an amicable agreement.

Roche then refused to grant the US chemical group Du Pont a licence to supply PCR-based diagnostic kits and equipment. In an attempt to break the monopoly held by Cetus and Roche, Du Pont alleged that Cetus's claim to the PCR patent was void. It took until March 1991 for Cetus to show that its patents were valid. The Eastman Kodak dispute was also resolved that year.

Roche eventually paid Cetus $300m for exclusive rights to its PCR technology with the possibility of a further $30m in royalties. Cetus then merged with Chiron.

Under the agreement, Cetus sold back its 49 per cent holding in Perkin Elmer, which formed a strategic partnership with Roche and gained rights to develop systems for non-diagnostic applications. Roche now effectively owns the entire PCR market.

Since acquiring the full rights to the technology, Roche has liberalised the draconian licensing regime that had been instituted during the company's acquisition of Cetus – after some discussion with the scientific community in the US.

The new worldwide policy "will provide all laboratories offering human in-vitro diagnostic testing with the freedom to use PCR for all human diagnostic testing services", said Agnieszka Junosza-Jankowski, PCR licensing manager at Roche headquarters in Basle.

"If the licensee makes any improvements or inventions related to PCR, the licensee has the option to license back these improvements to Roche." The royalties payable range from 9 to 18 per cent, depending on the type of testing service offered.

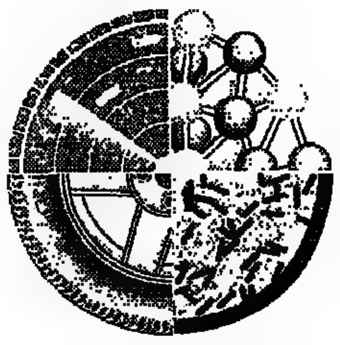
Outside the field of diagnostic testing, the position is not so clear-cut. Roche says licences for environmental, food testing, research, forensic and industrial applications will be handled in the context of the strategic alliance with Perkin-Elmer.

The strong demand for PCR is inevitably causing delays, as Roche's licensing department negotiates with dozens of would-be commercial users. Junosza-Jankowski says the company has already signed agreements with providers of diagnostic testing services in the US, Japan, Australia, Switzerland and Spain.

Roche has not yet signed any licensing agreements in the UK. But an agreement with Cellmark Diagnostics, ICI's genetic testing subsidiary, is expected shortly.

For most users who want to amplify small amounts of DNA, there is no viable alternative. Other techniques for copying genes are in development but no one has come up with anything as simple, wide-ranging and convenient as PCR.

Worth Watching · Andrew Baxter



Wellington boot's new footprints

The wellington boot, forever linked in the public mind with the quilted jacket to give that essential bucolic look, is about to leave its footprint on the agricultural industry.

Clares Dickies, an Avon-based workwear manufacturer and supplier, has launched its Landmaster agricultural safety wellington boot range – claimed to be the world's first 100 per cent polyurethane welly.

The boot, made from a unique polyurethane compound, is produced by Vredestein, a leading European safety footwear supplier. It lasts twice as long as ordinary PVC or rubber boots, but because of its lightness – 1,000g lighter than rubber – it is easier to wear.

The boot is resistant to oil, animal blood, grease, acid and most chemicals. There is even an ultra-safety version with steel toecaps – ideal, perhaps, for dealing with errant ramblers and other farm pests. Coloured green, with brown soles – they cost about £22 per pair. Clares Dickies: UK, 0761 410041.

Herbicide doubles as a potential cure

ICI, the UK chemicals group, likes to talk about the synergy between its research into pharmaceuticals and agrochemicals. A specific example of that is published in today's Lancet, Clive Cookson writes.

NTBC, a compound originally invented as a potential herbicide at the company's US agrochemicals research centre in California, turns out to be a valuable drug for treating children with type I tyrosinaemia, an inherited metabolic disorder.

The link was discovered during safety testing at ICI's central toxicology laboratory in the UK. This showed that NTBC affected the metabolism of the amino acid tyrosine.

A collaborative clinical study with Gothenburg University in Sweden has confirmed that NTBC can prevent the build-up of toxic metabolic by-products in tyrosinaemia. About one child in 100,000 is born with the disease – and most die before they reach adolescence. ICI Central Toxicology Lab: UK, 0625 584549.

Multimedia drives in the fast lane

Sony has launched a new PC-based software package for in-house production of multimedia programs which, it says, could accelerate the adoption of multimedia in many different organisations.

The package, Mammoth Tool Systems, is designed to work with existing high-performance CD-Rom XA technology using a personal computer platform.

Sony's aim is to bring production of programs in-house at organisations using multimedia for enhancing training, sales and marketing, and corporate communications. The software costs about £5,000, plus an estimated £5,000 more for video and audio capture cards that slot into the PC, memory management software and a PC. Sony: UK, 0256 483666.

Open outcry over heavy-duty phones

While mobile phone companies strive to produce ever-lighter handsets, there is still at least one application where voice communications systems have to be built like freight trucks.

Open outcry trading of options, futures and stocks can be brutal for both traders and their equipment. The Chicago Board Options Exchange has just bought 1,000 Exchangefone II telephones made by New York-based IPC Information Systems designed with a heavy duty, stainless steel casing to protect internal parts.

Each has 32 line/feature select keys and two handsets with their own digital tonepad, function keys and display window. A trader can therefore conduct two conversations simultaneously, with lines and features available from either handset. IPC Information Systems: US, 212 825 9060.

PEOPLE

Arbitrator elected Lord Mayor

Francis McWilliams, an international arbitrator specialising in construction-related disputes, has been elected 665th Lord Mayor of London. On November 13 he succeeds Sir Brian Jenkins for a year-long term in the largely ceremonial post at the helm of the City Corporation.

Previously a civil engineer, McWilliams, 66, lived in Malaysia for 23 years where he was responsible for the creation of the industrial city of Petaling Jaya New Town in Selangor. At the age of 50, he returned to the UK to read for the Bar, and turned immediately to the settlement of disputes.

The City Corporation cites his unconventional background as giving the lie "to the common assumption that the City of London is a closed club, uninterested in the introduction of fresh blood and ideas".

Evidently, though, some clubs are more open than others. As hobbies McWilliams lists membership of eight golf clubs, and boasts of a long friendship – "which involved many games of golf" – with the former Crown Prince of Malaya.

McWilliams says his theme for the year will be "the City and industry in partnership". "I would like to see the City 'user friendly'; I hope that, if there is a lack of understanding of each other's problems, this can be eliminated."

■ Peter Sherlock is resigning as a director of Bass, the brewing and hotels group, after 20 years with the company "to pursue other interests overseas".

Sherlock's resignation comes six months after he was switched from the group's leisure division to its Holiday Inn operations. He had been largely responsible for building the leisure division, which includes Coral bookmakers and Gala bingo clubs, and was its chief executive.

In April, Sherlock was appointed president of hotel operations, Holiday Inn Worldwide, with responsibility for owned and managed hotels in North America, and all Holiday Inn business in Europe, the Middle East and Africa.

Bass is now seeking a replacement for this post.

Michael Fallon, a junior education minister in the last government who lost his Darlington seat in April, has picked up his first non-executive directorship. He is joining the board of Quality Care Homes, a Darlington company owning and operating nursing homes that was recently listed on the stock exchange. He is Quality Care's first non-executive director.

Based mainly in London, Fallon says he is pleased to retain links with his old constituency, where he still has a house. "It is also good to be associated with a business that is expanding. This company has been particularly successful at putting up purpose-built nursing homes right in the urban areas they serve."

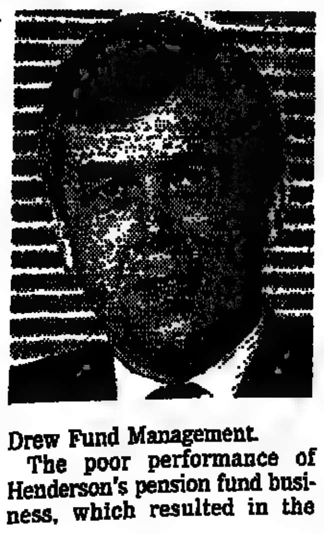
Duncan Bannatyne, founder and managing director, aims to have 1,000 beds in 20 homes across the north by the end of 1994.

Fallon, who says he has had a number of approaches since he lost his seat, stressed that he was "certainly not seeking an early return to parliament". He is pursuing "a number of business interests" in London, but will not identify them: "There are some perks to being a private citizen."

Henderson moves Buckley to pensions

Henderson Administration, the big fund manager which has lost a lot of pension fund clients over the past couple of years, has put Ian Buckley, its new investment chief, in charge of its pension fund business.

Buckley, 43, who joined Henderson in May from Sun Life Asset Management, has been appointed managing director of Henderson Pension Fund Management (HPFM), which accounts for a third of the group's funds under management. He replaces Robin Hindle Fisher, 33, who has been doing the job since 1990 and is leaving to become an assistant director of Phillips & Drew Fund Management.



The poor performance of Henderson's pension fund business, which resulted in the client defections, pre-dated Hindle Fisher's appointment; Colin Day, chairman of HPFM, says Hindle Fisher has done a "terrific job" and he was "sad to lose him".

Client losses had been stemmed and "we are beginning to find our way back on to new business presentations and consultants' lists", says Day. However, he noted that it took a while for potential clients to be convinced that Henderson's recent improved performance was not just a "flash in the pan". As a result of the change Buckley will be involved in everything from investment performance to managing client relationships.

Non-executive directors

■ Alan Osborne has retired from TARMAC after 43 years with the group.
■ Sir Gordon Borrie, former director general of fair trading, at THREE VALLEYS WATER SERVICES.
■ Nat Solomon, chairman of Tottenham Hotspur and a former chairman of Pleasurama, at BRITISH TECHNOLOGY GROUP.
■ Michael Jacobson, chairman and chief executive of the ICS Group, at SEP INDUSTRIAL HOLDINGS, of which ICS is a shareholder.
■ The Hon Nicola Colvin has resigned from CALEDONIA INVESTMENTS.
■ Alexander Macpherson has retired from UNITECH.
■ Peter Wayte, a senior partner in Alsop Wilkinson, at BELLWINCH.
■ Hugh Jones has retired from JARVIS.
■ Ronald Campbell has retired from HOWDEN GROUP.
■ Robert Tomkinson, already a non-exec, as deputy chairman of LLOYD THOMPSON GROUP.
■ Alban Davies has resigned from WILLIAMSON TEA HOLDINGS.
■ Donald de Groot at ALPHAMERIC.
■ Sir Derek Birkin, chairman of RTZ, at MERCK & Co.
■ General Sir Victor Fitzgeorge Balfour and David Maitland have retired from RELIANCE SECURITY GROUP.
■ Christopher Clark, a director of Johnson Matthey, at TRINITY HOLDINGS.
■ David Dugdale at KING & SHAXSON HOLDINGS; John Mackinnon retires at the end of October.
■ Donald Parr, chairman and chief executive of WILLIAM BAIRD, as deputy chairman at DUNHILL HOLDINGS.
■ Robert Merrick has resigned from LEIGH INTERESTS.
■ Peter Carpenter, previously an area director with Lloyds Bank, at HARRODS BANK, where Michael Lydon becomes chairman following the death earlier this year of Tony Best.
■ Francis Lucier has retired from SMITHKLINE BEECHAM.
■ Sir Keith Stuart has taken over as chairman of SEEBOARD from George Squair, who has retired.
■ Maurice Stonefrost has retired from NATIONAL HOME LOANS HOLDINGS.
■ Donald Hughes at BOURNE END PROPERTIES.

Robert Rice looks at the international counterfeit trade

The real fight in a phoney war

In February 1989, Britain's Department of Health informed Glaxo that counterfeits of its ulcer drug, Zantac, had been found in the UK.

This was a serious blow for Glaxo. Zantac was then, and still is, the world's best selling drug with sales of more than $3bn (£1.7bn) worldwide last year. The last thing the company wanted was a loss of confidence in the drug which was driving its bottom line.

Although, officially, this was the first time that fake pharmaceuticals had been discovered in the UK, Glaxo cannot have been totally surprised. Counterfeit drugs are big business. The International Chamber of Commerce estimates that 5 per cent of the $100bn of pharmaceuticals sold across borders each year are fake. As an expensive drug in huge demand, Zantac was an obvious target.

But it is not just counterfeit drugs which are big business. Just about everything from perfume to motor spares has been targeted by pirates in recent years. In 1990, the Counterfeiting Intelligence Bureau estimated that as much as 6 per cent of world trade was counterfeit. Last year, that had risen to 8 per cent.

The cost to legitimate business in lost sales and damage to reputation can only be guessed at. In the music industry, 500m counterfeit cassettes, compact discs and records flood the markets each year, costing an industry worth $25bn worldwide an estimated $1.5bn in lost sales.

The strategies adopted by industry for tackling piracy include:

- Co-ordinated, industry-wide action at domestic and international level. This approach is common to industries where the scale of the problem limits the impact of unilateral action by individual companies and where there are consumer safety implications. Industry associations formulate and promote anti-piracy policies and co-ordinate international efforts.
- Containment through customs regimes. Common to most areas of industry where counterfeit imports threaten domestic markets. Involves keeping customs informed of legitimate importers and the use of covert devices by manufacturers in packaging and design to identify the legitimate product.
- Lobbying legislators for tighter protection of patents, trade marks and copyright through vehicles such as the General Agreement on Tariffs and Trade. Common to most industries where there is an agreed overall approach to protection of intellectual property rights. The music industry for example believes uniform copyright protection of 50 years in Europe and America would substantially reduce the problem of pirated records, tapes and CDs.
- Unilateral action by companies to search, seize and destroy counterfeit goods. Common to industries which suffer badly from cheap, mass-produced imitations such as the fashion, perfume, watches and shoe industries.

A number of industries use a combination of these strategies.

In the pharmaceutical sector, the preference is for co-ordinated industry-wide action.

Drug companies are not discouraged from taking unilateral action, says Peter Lumley of the Association of the British Pharmaceutical Industry. But because of the potentially fatal consequences of counterfeit medicines, they tend to be wary of saying "there is a question mark over our product", in case it produces a loss of confidence.

Glaxo has experimented with holograms on its packaging and odd shapes for pills which cannot be made easily by standard machinery.

Europe has a thriving circular trade in pharmaceuticals, thanks to pricing differentials for medicines in EC member states. France, for example, pays 30 per cent less than the UK for its products, making it highly profitable for importers to buy in bulk in France and import back to the UK. EC competition rules prevent manufacturers from taking action to stop them.

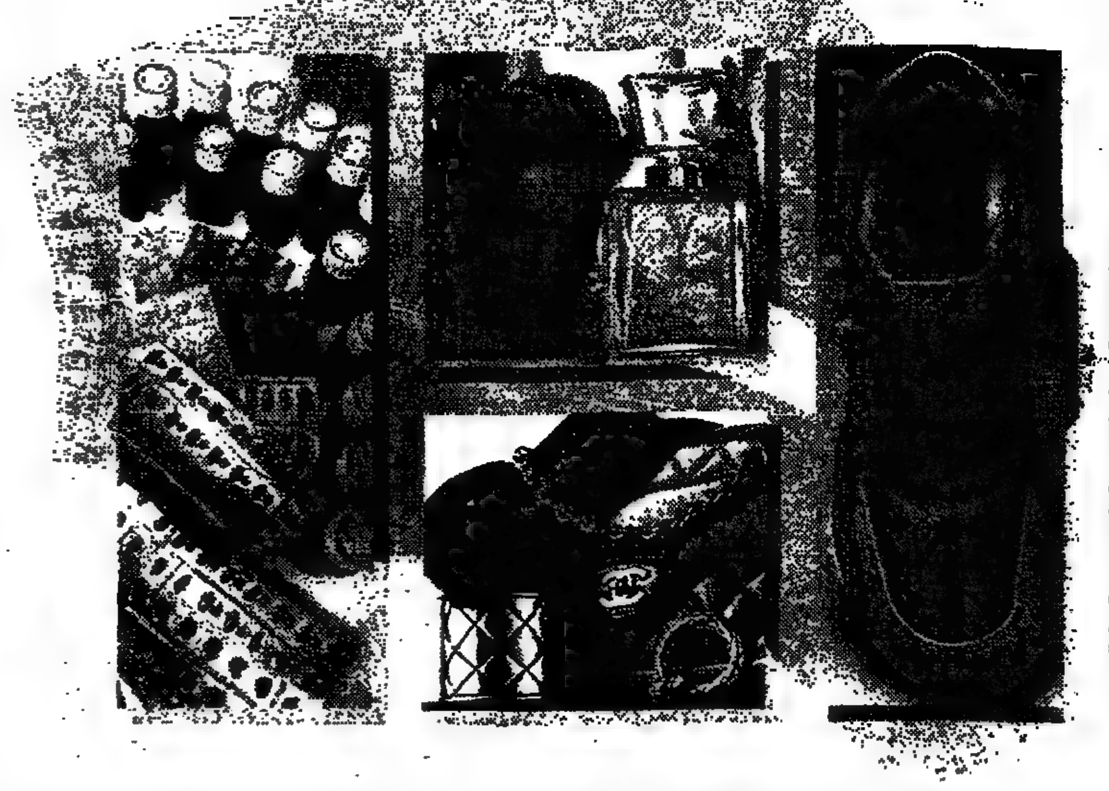
This circular trade makes it much harder for wholesalers to spot counterfeits mixed in with bulk consignments of legitimate imports and blunts attempts by manufacturers to tackle the problem through tighter control of distribution chains.

Ford which has a growing problem with counterfeit spare motor parts flooding into Europe adopts a policy of containment, working closely with customs and trading standards officers. The company believes there is little point trying to track down the source of counterfeit production.

"Chances are it will be a factory in a third world country employing 300 people which is vital to the local economy," a spokesman says. "You're unlikely to get much co-operation from the authorities in that situation."

Like the drug companies, Ford is working on covert changes to its packaging of spare parts which are sold under the trademark, Motorcraft. It is, however, reluctant to talk about the problem. The counterfeits tend to be high-selling parts, such as brake pads and tyres. The safety implications of poor quality fakes are obvious and the company is not keen to advertise its predicament.

A number of industries support the idea of tighter customs controls.



'Just about everything from perfume to motor spares has been targeted by pirates in recent years'

Customs controls in the single market are only as strong as the weakest link in the chain around the Community. More than 100 companies including Reebok, Adidas, Apple, Nike, IBM, and Nintendo, support a call for tighter customs controls in the EC.

They want EC customs to consult them when they receive shipments from companies outside the community, not authorised to import their products.

Other companies use private investigators or their own in-house investigation units. Lacoste spends FFr15m (£1.72m) a year on combating piracy. Yves Saint Laurent group has set aside £3.3m a year to tackle the problem and hired its own investigator. It believes this approach has paid dividends.

In the first half of 1990, it carried out 600 raids in Bangkok, Malaysia and Taipei, seizing documents establishing a connection between counterfeit producers of YSL, Chanel and L'Oreal goods, and companies in France which it is suing.

In a recent public display of its tough new approach, it ceremoniously destroyed part of a counterfeit haul of its perfume, Opium, with a street value of £11m, seized in north London. The company is a long way from eradicating the problem, but, a spokesman says, if you know the source of the counterfeits, it's an approach which makes sense.

Strategy comes down from the ivory tower

Christopher Lorenz assesses some unusually practical research into competitive performance

For well over a decade, the term "strategic management" has been bandied about by a growing body of consultants, academics and business people – from chief executives down to quite junior line managers. It has become part of the language of MBA courses and of programmes for more experienced executives.

Yet, pressed to explain what it means, many executives offer a definition which confuses strategic management with strategic planning. The latter was the rage in the 1970s but is sneered at by most consultants and academics these days as being an ivory tower headquarters activity which was too reliant on unreliable forecasts.

Given this confusion, there has long been a need for an up-to-date, accessible, and, preferably, non-American, publication which not only makes the difference clear, but also provides a plain person's guide to various other aspects of the creation and execution of business and corporate strategy.

In particular need of down-to-earth examination have been various strategic buzz-phrases, ideas and techniques which have become fashionable since the 1970s – most notably the blockbuster "competitive strategy" concepts of Michael Porter from Harvard. Business executives have also needed help with the question of how far strategy-creation should be a logical, or intuitive, process.

All this, and more, is covered by The Challenge of Strategic Management, the flagship volume in Cranfield School of Management's new Management Research Series*. One of its many swipes at conventional wisdom is that "the strategies an organisation pursues are not necessarily what is espoused by the organisation or its senior figures". Instead, they are "the direction an organisation is actually pursuing, perceived or otherwise".

On the confusion between strategic management and planning, the book says the latter term became associated with an activity carried out somewhat remotely from line management, and reviewed at inflexibly pre-set intervals. "It was also associated with long-term planning, which was inclined to take a definitive view of the future, and to extrapolate trend lines". Moreover, "economic turbulence was insufficiently considered, and the reality – that much strategy is formulated and implemented in the act of managing the enterprise – was ignored".

Strategic management, by contrast, takes planning out of the headquarters ivory tower, and "puts the activity back where it belongs: with the line manager".

The book is especially useful for its clear analysis of the many different and often conflicting factors which create corporate and business strategies in most organisations: not just rational planning, but all sorts of political, cultural, organisational and environmental influences, as well as the visionary power of leaders.

Given that some of these influences were christened by their American progenitors with such off-putting names as "logical incrementalism" and "organisational ecology", the book's clarity is doubly welcome. Among other things, it emphasises that an organisation's vision – one of the most powerful aspects of strategy – can emanate not only from its individual leader (or leaders), but also from well beneath the top.

According to research by Cliff Bowman which is reported in the book, many managers, and even some academics, misapply Michael Porter's work on "generic strategies". This argues, among other things, that businesses have to make a basic choice between competing on the basis either of lowest cost (what Porter calls "cost leadership") or of "differentiation" – the addition of extra features to a product or service in order to differentiate it from the competition.

Bowman makes the important, though unoriginal, observation that, as Toyota and other companies have demonstrated, these two strategies are not nearly as exclusive as Porter suggests. Bowman also reports that executives confuse the Harvard professor's definition of cost leadership with the less exacting criterion of "low cost".

Andy Bailey and Gerry Johnson, two other contributors to the book, also stress that while organisational innovation and variation (of processes, structures and systems) may come about as a rational, intentional response to the environment, they may also occur unintentionally. This may happen through any of the following circumstances: conflict over control of resources; accident; errors; tactical moves; and luck.

Bowman and Johnson emphasise the importance to an organisation of being able to uncover hidden differences in the perceptions and attitudes of its executives (senior and otherwise), and of debating competitive strategy in a way that renders everyone's assumptions clear, not cloaked. The academics describe various simple but powerful mapping techniques which display such differences in a way that has operational meaning for managers, rather than merely in the sort of intangible fashion suggested by some consultants.

* *Edited by David Faulkner and Gerry Johnson. Kogan Page, £16.95.*

Concert

Joshua Bell

Over many years in the Festival Hall, the BBC Symphony has offered programmes for serious music-lovers – serious enough to know that they could listen at home, with digital sound, instead of paying something close to the independent orchestras' prices for good seats. In the hall, audiences were often painfully sparse. This season, all seats for the BBCSO concerts cost £5, all unreserved – and the experience of live music-making, after all, is beyond price. Not enough people know that yet; but on Wednesday it was a pleasure to find eager listeners crowding the front two-thirds of the hall, instead of being thinly spaced by income-level gaps.

If there was a specific attraction, it was hard to pin it down. Perhaps the young virtuoso Joshua Bell, in Prokofiev's Violin Concerto no. 1 – but virtuoso-groupies would not have warmed to Alexander Goehr's crypto-serial *Little Symphony* (1963) with the generosity of this audience. (Andrew Davis conducted it with lucid sympathy; it sounded not only serenely cogent but full of aural imagination, plain but telling.) Nor, surely, would sober Goehr fans have been enticed by the closing piece, Vaughan Williams' pictorial "A London Symphony" from 80 years earlier, though I expect Davis did it equal justice.

What was certain was that Bell gave a marvellous account of the Prokofiev concerto, superbly assured and fresh, even dewy – as if it carried no daunting virtuoso-history. It *does* have such a history, including a celebrated Isaac Stern recording that every concert violinist knows. Bell might have been deliberately refusing comparisons. Instead of mimicking Stern's strict-time raptness at the start and the close, he was teasingly hesitant and fanciful; the "effects" – disembodied whistling in high harmonics, gypsy snarls *sul ponticello* (rough bowing near the bridge of the instrument) – sounded like spontaneous dramatic colour. All of it lived and breathed.

Amid a generation of alarmingly gifted violin-players, Bell and the Siberian Maxim Vengerov (even younger) stand out by virtue of early discovery and precocious maturity. They make a fascinating contrast, a bit like Domingo *v.* Pavarotti: the one a conscious, self-effacing artist with an imagination and a technique equal to almost anything that musical ends could require, the other a "natural", purpose-born phenomenon of instinctive musicianship – but those tenors were grown-up performers when they hit their stride, and these violinists are barely past adolescence. Should either of them be run over by a bus, you may spend years regretting that you didn't hear them live.

David Murray

Heady world of Matisse

Marina Vaizey reviews a once in a lifetime exhibition in New York

Henri Matisse and America have had a long love affair, culminating now in the largest ever exhibition accorded his art, at the Museum of Modern Art, New York, until January 12. This present compilation, three years in the making, and a decade in the thinking, has cost over $4m and is sponsored by Philip Morris. The show brings together well over 400 paintings, sculptures, drawings, printed books and the fabled paper cut outs of his last years, drawn from the collections, public and private, of Western Europe, America and – notably – Russia.

MOMA itself has the largest collection of work in both breadth and depth by Matisse owned by a single museum. With this exhibition, over a fifth of his known paintings are on view, with an even higher proportion of masterpieces. So far so huge. MOMA first held a major exhibition of Matisse in 1931 and in the past three decades there has been show after show: Matisse opened the Hayward in 1968; his centenary was celebrated in Paris at the Grand Palais; there have been shows devoted to Matisse in Morocco, Matisse in Nice; the cut-outs, the illustrated books, the drawings, the prints, the sculpture. For Matisse was staggeringly prolific, in a variety of media: in France there are two Musées Matisse, not to mention a masterpiece of living art, the chapel of the Rosary at Vence.

This exhibition is guided by a compelling chronology, and a sense of subtle drama that highlights the exuberance of its subject. The scene is set by his first markedly undistinguished paintings, dogged and determined student work, copies and exercises, dour and even sour still lifes, and very rare unpeopled empty seascapes, almost expressionist: all very northern European.

The emergence of colour, glorious colour, banishes the sludge forever, travelling towards the "kind of paradise" he declared as his intended destination, and during the journey borrowing from whatever artist had something to show and teach: Cézanne; Seurat; the impressionists; the post impressionists – not to mention the old masters, as far back as the frescoes of Giotto, and his own peers. Moreover, the graceful decorative devices of Islamic art, absorbed in his visit to the great Islamic show in Munich in 1910, and his trips to North Africa, also infused and enthused his art.

In the process Matisse transformed traditional notions of pictorial space, flattening perspective, ignoring proportions and creating a heady imaginative world in which odalisques floated in rooms filled with hectic patterns which are nevertheless oddly serene; gigantic nudes appear as dancing figures in endless vistas of land and sky , or gigantic hieratic totems in vast forests. Nudes and portraits are distorted, even grotesque, stylised and refined, a face distilled into a coloured oval with lines for eyes and mouth; colour is unmodulated; cool pink, sizzling orange, light-filled blue, bright green and deep red are flung together in incandescent combinations.

Some of the famous photographs of the bearded Matisse in his white painting coat, like a surgeon, surrounded by the most opulent of objects, the most desirable of patterns, the most glorious of women, are used to introduce the exhibition. These photographs tell us that the painter of pleasure was a difficult and complex character, his passionate art achieved almost with dispassion. The show rightly provides just enough information to tell us where we are in Matisse's career, in terms of the geographical and chronological setting, and his preoccupations; we are asked to look afresh at the familiar and the unfamiliar.

'Odalisque with Magnolias' by Henri Matisse, 1923 or 1924

Thus, MOMA's own large scale masterpieces, such as "The Red Studio" (1911) and "The Moroccans", (1915-1916) are amplified by "Harmony in Red" (1908) from the Hermitage. "Luxe, calme et volupte" (1904-5) both study and final painting, and the oil sketch for le "Bonheur de Vivre", (1905-6), transform the pastoral into compositions of shimmering colour like a series of beaded curtains, semi translucent.

From there to the sophisticated, intensely decorative, and profoundly euphoric set pieces like "La Danse" and the other enigmatic figure pieces, is apparently an enormous change. But what the exhibition perhaps makes clearer than ever before is that all is theme and variation. However visibly different, the subject matter is consistent, and the formal preoccupations and innovations are too: the flattening of space, which paradoxically makes for a sense of limitless space, as well as inducing, particularly in domestic interiors, a sense of claustrophobia that is at times almost stifling, is as apparent in the late cut-outs as in "Tea in the Garden" (1919); "La Danse" (1909) prefigures "The Swimming Pool" (1952), room sized cut outs in which the white spaces between are as significant as the swooping, flying blue figures of the swimmers. The scale of the exhibition lets us see, in a once in a lifetime show, the narrative of his achievement as complete as possible.

It is the alliance between visual wit and sensuality which makes Matisse so captivating. He created his art, so lush, even over the top, with an uncompromising severity and gravity. Dignity is everywhere, as is a sense, often, of an unbridled joy. Matisse said he wanted "to reach that state of condensation of sensation which constitutes a picture"; but finally, he simply pointed out that "a painter's best spokesman is his work". So far so great.

The exhibition continues at the Museum of Modern Art, New York until January 12 1993. (Next spring the Pompidou in Paris will have a more precisely focussed exhibition of works between 1904-1917.) 'Henri Matisse: A Retrospective' by John Elderfield (Thames & Hudson, £48) is an outstanding contribution to the study of the artist and his period and reproduces everything in the exhibition, as well as complementary illustrations.

Isaacs to stay at Covent Garden

The Arts Council has temporarily let the Royal Opera House off the hook, but redevelopment and public funding problems remain

After months of rumour and recrimination the Arts Council report into the running of the Royal Opera House was released yesterday in a truncated and bland form. There is nothing in the findings to rattle the management at Covent Garden.

Not surprisingly, the Covent Garden Board has announced that Jeremy Isaacs has had his contract as general director extended for another two years. He will finally quit at the end of the 1994-95 season when he will be 63. He was looking for a three year extension, but even so Isaacs' overall position has been secured.

The Arts Council Committee, chaired by Lady Warnock, criticises the Royal Opera House for running up a deficit which is now approaching £4m; for making artistic decisions first and worrying about the cost later; for failing to push through the productivity improvements recommended in the 1983 Priestley Report; and for generally poor management and bad staff relations. It also suggests that the Birmingham Royal Ballet should, in time, become a wholly separate organisation.

But Warnock acknowledges the pre-eminent position of Covent Garden; generally approves of the artistic performances in the past season; and confirms that the Royal Opera House should continue to receive substantial public funding.

As well as the Arts Council investigation, the Royal Opera House asked the consultants Price Waterhouse to conduct an independent investigation into its working practices. Its findings do not greatly differ and it recommends cost savings of over £1m a year. The Board has set up a sub-committee which will study in detail the two reports and come up with conclusions and recommendations in the near future.

There is one glaring area of dispute between the Royal Opera House and the Arts Council. The Warnock Committee considered that Covent Garden's large scale £250m re-development plan, which will involve the Opera House raising £90m and closing the house for at least two years, should be abandoned in the face of the collapsed property market and the current financial crisis of Covent Garden. It suggested a less ambitious project, sufficient to improve the antique and dangerous back stage conditions.

But the Board intends to carry on with its redevelopment appeal. It will quietly try to get pledges from business and individuals before approaching the Government for a top-up grant, presumably from Lottery money. Jeremy Isaacs will wish to get the closure and rebuilding programme settled before his reign ends.

The Arts Council has to a great extent let the Royal Opera House off the hook. It approved the summary of the findings of the Warnock report released yesterday but has made it clear that much of the report's content was more highly critical. It is adamant that unless the Opera House eliminates its deficit over the next three years the Arts Council will reduce its subsidy. It will expect substantial management changes at Covent Garden in the very near future and a much greater commitment to efficiency and economy.

After all the fuss of recent months it will be surprising if the Royal Opera House does not realise that it has been *given one last chance to put its house* in order. But the key issue still does not seem to be grasped. Covent Garden is under-funded in comparison with every other leading European opera house. That is why it has been forced to raise seat prices to unacceptable levels in recent years. There is nothing in the Warnock summary which relates to seat prices. These can only be reduced if the Arts Council gives more subsidy or if it accepts a lower level of performance.

Price Waterhouse suggests that in future some of the Arts Council's subsidy should be earmarked for reducing seat prices. That at least approaches the heart of the matter.

Antony Thorncroft

Women on the college walls

Artists brighten up New Hall, Cambridge

Few who have dined in an Oxbridge college beneath the fearsome and dyspeptic stares of several centuries' ranked portraiture, mostly of college dignitaries, will have been particularly uplifted by the experience. Most of the pictures are cross-looking, blackened and dingy. Almost all are of and by men.

But fix an invitation to lunch at the women's college of New Hall in Cambridge, and a very different scenario awaits.

For a start, on your way to the dining hall you will pass a waist-high pink saucepan in the grounds. It is made by Judith Cowan, and is one of more than 70 pieces of 20th century art by distinguished women artists which now enliven the austere geometry of the college.

The domed dining hall itself is a dramatic backdrop for works by Mary Kelly, Sophie Ryder and Vivien Blackett, among others. In the recess behind the low stage, Evelyn Williams' painted relief of an anguished woman lying awake in a bed, "All Night Through", looks like a large ivory altar to the trials of womanhood.

What is going on? A year ago, the college walls were bare, except for a few pieces of work on loan (all of which were by men). *In a move not* only to brighten the place up, but to present a positive image of it as a women's college, the idea was mooted a year ago that the college should approach leading women artists around the country and ask them to donate a piece of work.

The response to the President's letter was massive. Christopher Stevenson, the bursar, estimated a five per cent refusal rate "and some of those were our fault because we sent the letters to the wrong addresses".

Maggi Hambling was one of the earliest to commit herself. Her painting "Gulf Women Prepare for War" was not done specifically for the college, "but", she says, "I just had this strong feeling that it was the right one for them. I painted it in 1986-87 after I saw a picture in the paper.

"I was deeply shocked by the image of those women in clothes which I associate with a nun's habit, holding rocket launchers. I'd never seen the desert but I knew it was pink; I deliberately made it the colour of women's make-up."

But although much of the work on display does deal with women's roles, women's bodies, it would be misleading to *herd all the donated works* into a feminist questioning of gendered identity. Hambling would not welcome the feminist label: "I'm an artist and I happen to be a woman".

Why such a startlingly positive reaction to the project? As Ian Shaw, a Fellow of the college, explains: "The lesser known artists were being offered a platform for their work. The famous names were simply doing the college a favour,

but we saw a snowball effect, as those who had refused at first heard who else was getting involved and asked if they could be included too.

So prestige has become a consideration – the collection's size and specialisation make it unique in Britain. But there are other factors significant for the working artist. The works are promised permanent showing, in carefully chosen spots around the college: we generally like to ask the artist to come and pick a site, says Christopher Stevenson.

And – unlike work in many major galleries, these pieces will never be consigned to the storeroom.

Faith Glasgow

INTERNATIONAL ARTS GUIDE

Vienna's contemporary music festival, Wien Modern, runs from October 24 to November 27. This year's composers are Luigi Dallapiccola, Hans Werner Henze, Iannis Xenakis and Kurt Schwertsik. Among the highlights are two concerts by the London Sinfonietta conducted by Elgar Howarth, a Kammeroper production of *Henze's Edward Bond opera* The English Cat and a performance of Henze's Seventh Symphony by the Stuttgart Radio Symphony Orchestra.

Claudio Abbado's concert with the Gustav Mahler Jugendorchester on Oct 31 will be preceded by an open rehearsal. Ingo Metzmacher will conduct a concert performance of Dallapiccola's one-act opera Il prigioniero, Christa and Kurt Schwertsik will present a recital of Schwertsik songs and there will be two concerts by members of the Ensemble InterContemporain. Heinz Holliger, Peter Eötvös, the Arditti Quartet, the Arnold Schoenberg Chorus, the Vienna Symphony and Austrian Radio Symphony orchestras are among the other artists and ensembles at the festival. Information and booking from Konzerthaus, Lothringerstrasse 20, A-1030 Vienna, tel 712 46860.

This year's Wexford Festival (Oct 22-Nov 8) offers another tempting mix of neglected operas. Albert Rosen conducts Mascagni's three-act opera Il Piccolo Marat (1921), Jean-Claude Auvray produces Marschner's romantic opera Der Vampyr (1828) and Giles Havergal directs The Comedy of Errors (Gli Equivoci, 1786), an opera buffa by Stephen Storace, an English composer of Italian descent. There will also be a performance of The Dream of Gerontius on Oct 25 *and an orchestral concert on* Oct 26, both featuring the Ulster Orchestra. Information and booking from Theatre Royal, High Street, Wexford, tel 53-22144.

EXHIBITIONS GUIDE

AMSTERDAM
Stedelijk Museum Sigmar Polke (b1941): 30 paintings and installations by the German pluriform artist from the years 1964-86, including some using experimental materials like iron oxide and paints with iridescent interference colours, by which the image alters by degrees as the viewer changes position relative to the painting. Ends Nov 29. Also Peter Halley: recent work. Ends Nov 1. Daily
Van Gogh Museum Felix Vallotton (1865-1925): retrospective of the Swiss Post-Impressionist painter who joined the Nabis. Ends Nov 1. Daily

BERLIN
Nationalgalerie Art in Germany 1905-37: more than 140 paintings and sculptures by 62 artists, including Dix, Klee and Munch. Ends Jan 3. Closed Mon and Tues
Brucke Museum Painting and Sculpture of the Brucke: works by Kirchner, Schmidt-Rottluff and other members of the early 20th century group of artists based in Dresden. Ends April 4. Closed Tues
Altes Museum The *Scandinavians and Europe* 800-1200. Ends Nov 15. Closed Mon

DRESDEN
Albertinum Fritz Winter (1905-76): paintings and drawings by one of the founder generation of the Bauhaus, banned by the Nazis. Ends Nov 1. Also August Kotzsch (1836-1910), master of photography in Dresden. Ends Nov 1. Closed Mon

LONDON
National Gallery Saint Jerome: the latest in the Gallery's Themes and Variations series traces the image of the fourth century scholar and polemicist in more than 30 altarpieces and domestic devotional paintings from the 14th to 17th centuries. Ends Dec 13. Daily
Royal Academy of Arts Sacred Art of Tibet. Ends Dec 13. Also Alfred Sisley retrospective. Ends Oct 18. Daily
Hayward Gallery Art of Ancient Mexico. Ends Dec 6. Daily

MADRID
Centro de Arte Reina Sofia An exhibition inaugurating the museum's permanent collection, featuring Guernica and 19 other Picasso works, 24 by Dali, 17 by Miro, Le Corbusier's The Fall of Barcelona and more than 300 other major 20th century paintings. Closed Tues

MANCHESTER
Whitworth Art Gallery Avant-Garde British Printmaking 1914-60: 80 of the British Museum's most important and innovative prints produced this century. Also Into the 60s: a look *at how painting and sculpture* reflected the radical changes in British society in the 1960s. Ends Oct 26. Closed Sun

NEW YORK
Museum of Modern Art Henri Matisse: 400 works, including 300 of the most important paintings and a generous selection of sculptures, drawings, paper cut-outs and prints. Ends Jan 12. Closed Wed (call Ticketmaster 212-307 4545)
Metropolitan Museum of Art Ribera: 400th anniversary retrospective. Ends Nov 29. Also Rene Magritte: 150 works by the Belgian surrealist. Ends Nov 22. Closed Mon
Guggenheim Museum The Great Utopia: the Russian and Soviet Avant-Garde 1915-32. Ends Dec 15. The SoHo site has the set of murals which Chagall painted for Moscow's Jewish Theatre in 1920. Ends Jan 17. The main museum is closed on Thurs, the SoHo site on Tues
IBM Gallery Christopher Columbus and the Spanish Exloration of the Indies. Ends Nov 7. Closed Sun and Mon

PARIS
Grand Palais Picasso et les Choses: 150 works from the Blue Period. *Picasso's near-fetishist* attitude to objects makes his still-life paintings shout in indignation, changing a jug into an image of a woman's body, or a bicycle saddle and handles into a bull's head. Ends Dec 28. Also The Etruscans and Europe: pottery, bronzes, wall paintings and jewellery illustrating the harmonious civilisation which formed a link between ancient Greece and Rome. Ends Dec 14. Closed Tues, late opening Wed (ave du General Eisenhower)
Espace Electra The Meeting of Two Worlds through the Eyes of Haitian Painters. Ends Oct 17. Closed Mon (6 rue Recamier)
Centre Georges Pompidou Manifeste: 7,000 square metres given over to a multi-faceted exhibition covering the past 30 years of creativity in visual arts, video, cinema, architecture and design. Ends Nov 9. Closed Tues

ROTTERDAM
Museum Boymans-van Beuningen Impressionism: an exhibition drawn from the museum's own rich collection of French Impressionists, with paintings by Gauguin, Signac and van Gogh, drawings by Cézanne, prints by Toulouse-Lautrec and Bonnard and sculptures by Degas, Renoir and Rodin. Ends Nov 29. Also Dutch Lace Schools from 1850 to 1940. Ends Oct 18. Closed Mon

STOCKHOLM
Nationalmuseum Rembrandt and His Age: *an exhibition of* 190 paintings of the Dutch master and his large circle of pupils, based on the Museum's own collection. These include The Conspiracy of the Batavians under Claudius Civilis, a self-portrait on copper and Simeon in the Temple. The exhibition also includes important works borrowed from the Louvre and other major museums. Ends Jan 6. Closed Mon

TEL AVIV
Museum of Art Bruce Nauman: 80 prints, plus several new works and videotapes (in Helena Rubinstein Pavilion). Ends Nov 21. Also Andy Warhol: more than 100 works, plus 50 photographs by Christopher Makos. Ends Oct 27. Daily

VIENNA
Albertina The English School: 138 drawings and watercolours by three centuries of British artists, selected from the Albertina's collection. Ends Nov 8. Daily
KunstHaus Caricature and Satire: 500 years of pictorial comment, including work by Goya, Picasso and Magritte. Ends Oct 18. Daily

WASHINGTON
National Museum of Women in the Arts Audrey Flack: a retrospective 1950-90 including still lifes, portraits and large-scale sculptures. Ends Dec 17. Daily
National Museum of American Art The Art of Romare Bearden 1940-87: 140 paintings and collages illustrating the culture *of African Americans through* changing styles from modernism to abstract expressionism. Ends Jan 3. Also Ralph Eugene Meatyard and Helen Levitt: retrospectives of two leading photographers. Ends Oct 18. Daily
Textile Museum Textiles and Thai experience in south east Asia: 100 pieces illustrating how textiles function for the individual in religion and in the service of the monarchy. Ends Jan 3. Daily
Renwick Gallery American Crafts: 120 objects spanning the development of functional and sculptural craft traditions of the 20th century. Ends Jan 10. Daily
National Gallery of Art Stieglitz in the Darkroom: 75 prints illustrating the art of American photographer Alfred Stieglitz (1864-1946) from the early 1890s to the 1930s. Ends Feb 14. Also Art of the American Indian Frontier: 150 objects produced by Woodland and Plains Indians in the 19th century. Ends Jan 24. Daily

FINANCIAL TIMES

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Friday October 2 1992

Mr Major off the fence

THE DECLARATION by Mr John Major, the British prime minister, that he wishes to bring the Maastricht treaty back for ratification in the House of Commons around the end of the year, is a welcome step forward.

Everyone knows that the ratification debate is likely to be the scene of a bruising confrontation between the government and the Eurosceptics in the Conservative party; but in the last resort Mr Major is politically committed to the treaty, and there is no sense in which he can avoid the confrontation by procrastination. If the treaty is to be ratified, the Eurosceptics will have to be faced down, and it will be up to Mr Major to exercise the appropriate leadership over his party to secure the necessary majority.

As far as it goes, then, Mr Major's announcement sends the right signal to the Conservative party, to British public opinion, and to the governments of the other member states in the European Community. If the government looked as though it was scrabbling for any and every pretext to run away from the Maastricht treaty, Mr Major has now given notice that he intends to stand and fight, for a treaty which he claimed a bare 10 months ago as a triumph for Britain.

Moreover, his words last night may gain him time. In the face of what looked like British delaying tactics, some other European governments have apparently been flirting with the idea that an inner core of member states might move ahead without Britain. If they are now persuaded that Mr Major is really determined to stand up for the treaty, they may also be readier to negotiate with Britain rather than leave it behind.

Mr Major seems to have been emboldened to declare his position by the belief that he can secure agreement with the other member states, perhaps at the Birmingham summit this month, on a form of words which will make it easier for him to get the treaty through the House of Commons. Since the government is most anxious to fend off accusations by Eurosceptics that the Maastricht treaty will introduce an interfering, centralised federal state, its top priority will be to strengthen the principle of subsidiarity by which the Community should only engage in policies which cannot be done better in the nation states.

Whether an interpretative declaration by the 12 governments will really give the principle of subsidiarity the force of law may be open to doubt; it may also be questioned whether a mere declaration will make a large difference to the balance of votes in the House of Commons. But that is the judgment which the government must make; and it is in the House that it must fight and win its victory.

Last night's lecture to the European Policy Forum, by Mr Douglas Hurd, the foreign secretary, was obviously intended to prepare the ground for this debate. But it cannot be described as an inspiring document. Mr Hurd is known to be a committed European and supporter of the Maastricht treaty; yet his lecture was an exercise in faint praise, in which his main purpose seemed to be to minimise the significance of the treaty.

It is now up to Mr Major to lead his party beyond this timorous position.

Insurance policy

EFFORTS TO rescue Municipal Mutual, the stricken local-authority owned insurance company, are running out of steam. MMI, which is the ninth largest insurance company in the UK, has ceased to sell new policies and placed a seven-day moratorium on claims payments on existing policies. The company is talking to leading insurers who might take over some parts of the business, including its portfolio of home and motor policies. But chances of finding a buyer for the rest appear slim, with the Paris-based La Garantie Mutuelle des Fonctionnaires no longer interested in acquiring the company.

There are many facets of the MMI story which will be familiar to observers of the UK financial services industry. The company started life as a niche player, insuring local authority business. The conservative management approach won over 80 per cent of the business. But in the 1980s, MMI expanded aggressively out of its core business into other areas of the insurance market, especially individual home and motor policies. Larger rivals were undercut to win market share.

This expansion accelerated after changes in the ownership structure of the company which diluted local authority control. These were designed meet the requirements of the 1989 Local Government Act which sought to force councils to divest themselves of commercial businesses. They also gave management more leeway to pursue expansion: premium income rose further, more than doubling between 1987 and 1991.

Recent growth has been accompanied by the deterioration in trading conditions which afflicted the insurance industry as a whole. Bad weather, rising crime and civil disorder pushed up claims on domestic policies. But the core business was also hit, with increased claims from local authorities following events such as the Hillsborough football disaster and the exposure of the repressive "pin-down" regime in Staffordshire children's homes.

Claims rose threefold between 1987 and 1991, considerably faster than premium income. In May, a big increase in reserves to cover business written in the past left MMI's net assets at £4.9m and its solvency margin well below levels normally accepted in the industry.

At this stage, intervention might have been expected from the Department of Trade and Industry, which is responsible for regulating insurance companies. Despite the company's parlous state, the DTI allowed it to continue to write new business. One factor which appears to have influenced that decision was the interest expressed by La Garantie Mutuelle des Fonctionnaires in taking it over. Earlier this week, that rescue bid collapsed – apparently to the surprise of MMI, which had assured the world that the talks were still on.

It is not clear whether there have been regulatory failures by the DTI in this case. But *prima facie* there is a case to answer. In particular, the DTI appears to have allowed MMI to continue trading with a solvency margin well below the minimum regarded as normal on the basis of a rescue bid which has since evaporated and appears not to have been a binding agreement.

An independent inquiry is needed to determine the facts. Then a judgment to be made on whether the regulatory framework itself is adequate.

Bank on the poor

THE BUSH administration is often criticised for a lack of vision in policy, but it has shown foresight in its dealings with Latin America. Its decision to seek, for example, a free trade agreement with Mexico and to offer that prospect to other Latin countries has provided a genuine opportunity to change an often adversarial relationship.

This constructive attitude is reflected in radical, but thoughtful, proposals to reform the Inter-American Development Bank outlined last month by the Treasury.

Behind them are worries that democracy and the recent economic advances in Latin America – reforms of budgets and the structure of economies, which are beginning to be reflected in growth – may be jeopardised by popular reaction.

The perception that adjustment programmes benefit the rich and hurt the poor – sometimes, but not universally, true – needs to be corrected. An important element of the wide-ranging US proposals for the IADB is a concrete attempt to address this issue. It suggests half of the bank's lending should be devoted to improving the lot of the worse off and making sure the benefits of growth are more broadly spread.

This is not only good politics, it is good economics. Investing in the poor, in better primary education and improved health provision, in particular, yields high economic returns.

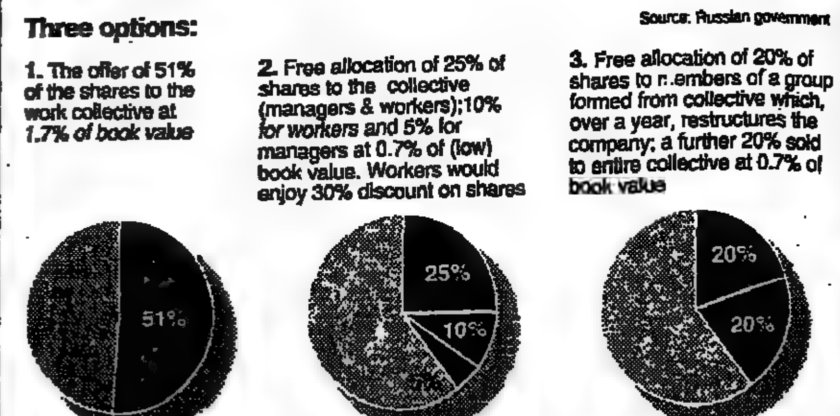
A promise to focus on poverty is easy to outline, tough to carry out. Getting money through to the needy has been a long-standing problem for the region's governments own poverty programmes. Cash passes through many greedy hands before reaching the needy, and badly-designed poverty programmes can raise a country's debt without benefiting its people. Washington has recognised that the bank's offices must be restructured to allow close collaboration with affected populations.

The IADB has undergone significant changes, mostly for the better, over the past few years. Now it must accept further change. The US proposals are sensible and have been set out in a constructive fashion. They should be welcomed in the region and taken up next year, by whatever administration is in the White House.

Russian privatisation: a policy for the people

Russian industrial structure	Number of companies	Average number of employees
Electrical energy	962	407
Fuel energy	352	2,080
Ferrous metallurgy	205	4,093
Non-ferrous metallurgy	174	2,971
Chem/Petrochemicals	561	2,173
Engineering	5,306	1,568
Wood processing	3,885	465
Construction materials	2,161	480
Glass & ceramics	164	963
Light industries	4,034	617
Food industries	5,490	253
Other	1,936	940
Total	25,240	821

Source: Goskomstat, 1987



The September revolution

The privatisation of Russian industry promises to create a society of capitalist shareholders, writes John Lloyd

The privatisation of the bulk of Russia's industry, which began officially yesterday, is revolutionary in design. By creating a class of responsible property owners capable of exercising rational economic choices, it seeks to resurrect a bourgeoisie which the now-discarded Soviet regime once sought to consign to the dustbin of history.

"Privatisation on this scale," said Mr Anatoly Chubais, the deputy prime minister in charge of privatisation, "is unprecedented in the history of Russia ... of the world".

Moreover, privatisation – the most visible and important part of the Russian reform programme – is now seen as unstoppable. The parliament, which has often shown itself to be an uncertain and febrile body, has endorsed it. Mr Ruslan Khasbulatov, the speaker and no friend of the government, called it "effectively irreversible".

That is not to say it is universally popular. The Russian government is so deeply disliked that almost everything it does is greeted with suspicion. On the political level, the roughly one-third of the deputies who maintain communist or nationalist positions are bitterly opposed. One of them, Mr Gennady Savenko, last week threw a fistful of privatisation vouchers in the face of Mr Chubais, shouting "all property of any worth will end up in the hands of the rich!"

This is a widely held view. As Mr Konstantin Ovchinnikov, a government chauffeur, remarked: "There used to be a communist slogan about the west: it was where 'the rich get richer and the poor get poorer'. That's what privatisation will mean." This overwhelmingly poor society , which was accustomed to officially promoted egalitarianism, has grown even poorer over the past two years. Now it is being asked to tolerate the rapid expansion of a conspicuously wealthy class.

The young officials charged with the privatisation project acknowledge this, but counter it. "There already was in the socialist times a privileged class – huge and hidden," says Mr Maxime Boiko, chief aide to Mr Chubais. "In a market economy, of course, it becomes open and evident. But I think this country has a large tolerance for inequality."

The privatisation scheme, which officially opened yesterday, is complex. In its first stage, vouchers with a value of Rbs10,000 – giving the bearer the right to buy company shares – are to be distributed to every member of the public through 40,000 branches of savings banks across the country. In a country of 150m people, this means that about Rbs1,500bn in vouchers will be distributed.

At the same time, between 5,000 and 7,000 enterprises representing about 70 per cent of Russia's vast productive capacity are completing "privatisation plans" in close consultation with their workforces. These plans are essentially choices between three main options laid out by the State Committee for Property, headed by Mr Chubais. They are:

- The assignment of 25 per cent of the shares to the "work collective" (managers and workers) for free; a further 10 per cent would be available to workers and 5 per cent to managers at 0.7 per cent of the shares' book value, which state auditors assigned to them. Workers would enjoy a further 30 per cent discount on these shares.
- The offer of 51 per cent of the shares to the collective at 1.7 per cent of their book value.
- The assignment of 20 per cent of the shares, for free, to those workers and managers who chose to form a group committed to restructuring the company; a further 20 per cent would be sold to all members of the collective at 0.7 per cent of book value.

Under each option, the work collective can use both its vouchers and cash to buy the shares, though a limit of 35 per cent of the total has been set on the number of shares which can be bought through vouchers. In addition, at least 10 per cent of the shares must be available to the general public to buy with their vouchers.

The general public can sell their vouchers for cash, or use them to buy shares in the privatised companies, which are to be auctioned after December 1. The vouchers must be spent before the end of next year or they will lose their value. They are to be redeemed by the government, while the cash spent on the purchase of shares by the public will go to local and regional authorities.

No one is certain how many citizens will opt to sell their vouchers. Even before yesterday's distribution, a secondary market had begun in which people, especially the elderly, had pre-sold their vouchers, reportedly for around their face value or slightly above.

Mr Chubais believes, on the basis of his own polls, that only some 30 to 40 per cent of the population will sell their vouchers. Other estimates made by opposition deputies claim that 80 per cent will do so.

For those who hold on to their shares, and who are not members of companies to be privatised – such as state school teachers, municipal workers and others – the 200 or so mutual funds already set up are likely to be attractive.

In theory foreigners are for the most part as free as Russians to take part in this "sale of the century". They are restricted from investing in some defence and energy enterprises, and they have been excluded – except by special permission – from the privatisation of shops and small businesses which is already under way.

But in practice, it seems likely that most foreigners will stay out of Russian market until ownership and control patterns have emerged over the next year or two – the estimated time it will take to fully privatise the large companies. The legal structure is still raw and incomplete; the enterprises are little known; and their managements are not yet familiar with the demands of a market economy.

Mr Chubais pointed out that some foreign companies have concluded some "very interesting" deals under which they would assist the work collectives in buying shares in exchange for a part of the share capital. Despite this, privatisation is unlikely to prove a quick bonanza for foreign capitalists, as the communists and nationalists claim.

But will privatisation bring about the dynamics of a genuine market economy, as the government intends? Or will the exercise merely result in companies nominally owned by their workers and managers, but continuing to demand state protection and cheap credits, and threatening production strikes if they do not get them? Such tendencies are evident in many private enterprises which already exist. Indeed, the entire process clearly means different things to different people.

To many, privatisation has already happened. On most calculations, more than 20 per cent of the Russian workforce is employed in the "private" sector – in about 200,000 co-operatives created as private enterprises, in former state shops which already have been taken private, and in foreign companies and joint ventures. In addition, there are many larger companies which have recently been taken over by their workers and managers. Some have done so through a now-repealed Soviet law, while others have been taken over illegally, with management agreeing with their workers to create a company owned 100 per cent by themselves, and bribing local bureaucrats to register it.

This process, known as "wild" or *nomenklatura* privatisation, has given rise to a sector known as closed joint stock companies. In these, shares are not traded. Management usually exercises *de facto* control, and in many cases is now buying back shares issued to workers in exchange for roubles, hard currency or imported goods. This practice has largely gone unpunished and is likely to irritate those companies now being told to privatise according to the rules.

Privatisation may mean quite another thing within the larger, state-controlled sector, in which managers and workers constitute a potentially conservative (and largely united) class. Despite the progressive collapse of effective state control over companies the government formally owns, they generally have not adopted market-oriented pricing, investment or marketing strategies. Instead, they have kept prices and wages as high as possible while demanding government support or cheap credit from commercial banks to keep them going – so far successfully. Meanwhile, the lack of bankruptcy legislation (which is expected to be enactedlater this month) has meant that none of these enterprises could legally go out of business.

This resistance is wholly natural. The intended consequence of privatisation is to separate the winners from the losers; that is, to produce industries which can eventually compete on an international level. This – coupled with the more restrictive monetary policy the government says it is determined to adopt – will certainly mean the end for many companies, and unemployment for their workers. There is a vast amount at stake.

For this reason, the industrialists' lobby – represented most notably by Mr Arkady Volsky, head of the Union of Industrialists and Entrepreneurs, and General Alexander Rutskoi, the vice-president – is actually a much tougher opponent to the government than the noisier critics on the far left and right. In an recent interview in Rabochaya Tribuna, a daily newspaper, Mr Volsky said the privatisation programme was "too strict", and called for the legal right of the collectives to buy all their own shares and form the kind of closed joint stock companies created by the so-called "wild" privatisations.

Ultimately, since Russia is at least partly democratic, the people should decide. But they appear confused. This is no surprise since they are being asked to grapple with strange concepts and unfamiliar choices, and the post-Soviet bureaucracy is not making the job any easier. For most Muscovites, the only official notice of yesterday's voucher scheme was a typewritten memo posted in the ill-lit halls of their apartment blocks.

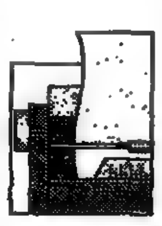
The government is planning an information drive including media advertising, packages explaining the options to companies and even a privatisation game show on TV. But it is grossly overstretched, despite resources for the programme supplied by the European Bank of Reconstruction and Development, with assistance from the World Bank and the EC.

"This is the start of capitalist education in this country," said Mr Chubais on the eve of the campaign. It will be a long, hard lesson.

PERSONAL VIEW

ERM: the way back

By Sir Leon Brittan



Is there a way out of Britain's ERM dilemma? Sterling clearly cannot go back in the near future to the full discipline of the ERM as it currently stands. But it is doubtful that a purely domestic monetary policy will carry credibility and provide the necessary discipline. I believe that it is possible to devise a new discipline which is not unacceptably constraining by an imaginative adaptation of the ERM structure.

The problems are, however, real. After the D-Mark, sterling remains the most widely traded currency in Europe. British economic performance is not yet synchronised with other European countries. And the confidence that the ERM is a quasi-fixed exchange rate system capable of defying market forces has been dented. We need to find the best way forward for sterling and other currencies which provides the advantages of exchange rate stability while recognising these difficulties and allowing for change without disrupting the EMS system.

In my view we should consider seriously the idea of a modified link between the core ERM members and currencies such as sterling through a flexible band system. In this model the UK would agree with the other EMS members a central rate and 6 per cent band for the pound. It should have the usual access to the various EMS financing facilities. The obligation agreed would, however, not be to respect that band unconditionally but to treat it as an exchange rate target.

By agreeing a central rate through the EMS the British government would be signalling its intention to hold sterling to this level in its day-to-day financial management. But in the event of exceptionally disruptive markets the government could decide to allow sterling to move outside the parity band for a limited period.

Thus in the event of severe speculative pressures the pound could be allowed to move above or below the parity band without Britain being obliged to intervene in the markets or raise interest rates to protect the pound. Also, Britain's EMS partners would not be required to undertake open-ended intervention to support the pound.

But this exceptional flexibility would be limited in time. Over the following period of perhaps 30 days the UK authorities would be obliged to ensure that the sterling exchange rate moved back inside the original parity band or to seek a realignment. Thirty days would provide ample time for short-term speculative pressure to play itself out. The Bank of England would be more effective in turning the tables on speculators if the markets could not be sure that every market flurry would automatically be counteracted. The authorities would have the freedom to choose the best moment to intervene effectively to restore the exchange rate within the parity band. But if it was clear that more fundamental forces were at work the option of a realignment and formal change of exchange rate target would remain open.

The advantage of such a flexible band outside the EMS core is twofold. It provides a political means of ensuring that currencies which are unable to participate at present in the EMS narrow band would remain politically committed to the EMS system. Europe now has almost 14 years of exchange rate management experience in the EMS. Britain should continue to benefit from that experience and participate fully in its further development.

In economic terms, it offers the advantage of providing the exchange rate discipline necessary for effective monetary policy. The exchange rate target would carry more credibility because it could not simply be changed unilaterally. But the flexibility to deal with speculative crises would also be there. By increasing that policy's credibility it would also allow interest rates to be reduced more rapidly than could otherwise be the case.

If the way forward I have suggested were to be adopted, over time as inflation continues to decline and the economy recovers the way would be open to strengthen the ERM link, consistent with the three-stage Emu process. The arrangement could be agreed for a limited period, as a way to ease the reinsertion of sterling into the central ERM disciplines. The economic policy convergence process requiring controls on budget deficits and downward pressure on inflation in the EC will ease progress towards monetary stability.

The benefits which the ERM has provided to Europe are immense. Low and stable inflation is now not a dream but a reality for the core ERM members. Trade has increased thanks to the ERM's framework of market stability. The single market has become a reality.

As we have seen the ERM has limitations inherent in any partially fixed exchange rate structure. We now need to increase the ERM's flexibility for some members, without weakening its attractions for those able to move further toward fixed exchange rates and a single currency. A revision of the ERM on the lines I have sketched out would enable us to strengthen the EMS as an exchange rate structure and to continue down the path toward prosperity in Europe.

The author is EC vice-president.

Joe Rogaly

Picking up the pieces

Major has started making peace with Germany, and he has stuck his neck out over Maastricht

The question of the hour is not: "Will Mr Norman Lamont resign?" It is: "Can Mr John Major recover his authority?" The chancellor's survival in an office whose duties he can no longer properly fulfil suggests that the prime minister is more afraid of the political consequences of letting him go than he is of what might happen to the economy if he keeps him on. A Lamont departure right now might look like an admission of guilt, an acknowledgement that it was the British government's ineptitude, and not careless comments by Mr Helmut Schlesinger, the president of the Bundesbank, that led to the collapse of sterling on September 16. In the perfervid atmosphere of Downing Street the golden rule is: never admit that you were wrong, not even slightly. Always blame somebody else.

The government's initially schoolboyish reaction to the publication of Mr Schlesinger's celebrated note is, however, only one explanation for Mr Lamont's nine lives. The fragile condition of the Conservative party is another. Mr Major is deeply unwilling to disturb the political balance of his administration. This was made clear last week, when he plucked the inoffensive Mr Peter Brooke out of retirement and put him in to succeed Mr David Mellor at the Ministry of National Heritage. Poor Mr Brooke. A good soldier in his time, he has done nothing to deserve being forced to share the agony.

That little decision was, however, merely embarrassing. The appointment of a new chancellor would be serious. It would constitute a political statement. It would indicate whether the government was moving backwards, forwards or sideways on the ERM and the management of the economy. That would not be all loss. It would at least suggest that the government *knew* whether it was moving backwards, forwards or sideways. Alas, the prime minister is evidently not ready to make any such statement. When he is, he may still desist. It might upset the troops.

Mr Major should not be so cautious. He is secure enough in his job. No challenger has stepped forward. Even if next week's Conservative party conference is as dismal an affair as it currently threatens to be, he may reasonably calculate that he occupies a position from which he can rebuild his reputation. He is, after all, only a few months into what could still be a five-year term. The only discernible medium-term threat to his tenure is a hypothetical rebellion of his own backbenchers of a size sufficient to shame him out of office. That *could* take place if the Maastricht ratification bill was brought back to the House without adequate preparation, but the Whip in Mr Major will surely prevail. If he knows he is going to lose so many votes, he will not start the battle.

These are, however, picayune considerations. Both as prime minister and as current president of the European Community Mr Major has to build his reputation piece by piece. Unfortunately for him, the pieces are scattered across a continent. As he well knows, Britain is not an island; it is merely surrounded by water. What Chancellor Kohl, President Mitterrand or Mr Schlesinger say or do is as much a part of British political life as the pronouncements or actions of an English cabinet minister, or a Scottish leader of the opposition. What British politicians say at home must be the same as what they say when abroad, and vice versa. Failure to remember this carries a heavy penalty, as Mr Lamont is learning.

In short, a British prime minister has to conduct himself as a European statesman at all times. If he does not, he will be crunched between the demands of Europe and the demands of his local electorate. Mr Major must therefore face down the internal squabbles of the Conservative party. That is his only option if he is to serve both his country and the continent to which it belongs.

As the prime minister well knows, Britain is not an island; it is merely surrounded by water

As a first step, he must make peace with the German government and the Bundesbank. This does not mean grovelling to either of them. A simple acknowledgement of the need for friendly discourse and an offer to bury the arguments of the immediate past should suffice. This approach was tried by the prime minister in TV interviews last night. It is to be hoped that this is one of those pally decisions, in which every member of the cabinet has been invited to take the oath of consistency. (Mr Lamont should be the exception. On this matter an oath of silence would be best.)

As a second step, Mr Major must undertake a task for which he is by temperament unsuited. He must make a stand, within his own party. Not in the centre of the road (where, one of his colleagues recently remarked, he attracts bullets from both sides), but at the head of one of the two warring Tory factions. His choice can only be the so-called "pro-Europeans". To go the other way would be a negation of everything he has said since coming to prominence. In short, Mr Major must take on the Europhobes, the disgruntled Thatcher-worshippers, and the loony right and disarm them.

To be fair, the prime minister tried to do something like that in the House of Commons last week. But his presentation was so weak, and the statements of intent so hedged about with prevarication and placatory sentiments, that it was to no avail. This is a consequence of his characteristic way of doing things. He is a technocratic salesman. He goes into detail. He looks for deals. He seeks to accommodate various point of view. One of his strengths is that he is also stubborn. Last night he said flatly that he would bring the Maastricht ratification bill back at the end of the year. He may have done pencilled-in deals with the Danes, Germans, French and Dutch, along the lines suggested by the foreign secretary yesterday. A clause on subsidiarity and a statement of intent on how the Commission and the Council of Ministers will work in future may be seen as the magic solution.

This patient methodology has seemed to work in the past, and may again this time. But some of its achievements are beginning to unravel. Last year, after a period during which he was accused of "dither", Mr Major produced the council tax to replace the poll tax. It did not take us straightforwardly back to domestic property taxes, but contained some head-tax elements to win over the recalcitrant right. Some ministers now fear that it will be a disaster when it is introduced next year. A second coup was Mr Major's unexpected election triumph in April. He deserves the full credit, but the fruits of victory are already being soured by the Tory right.

He must not make the same mistake again. If he does, he is likely to go down as the prime minister who sank slowly and gradually into failure. If he is truly ambitious, there is no alternative to taking the opposite course, that of the national leader who points to the distant horizon and asks his supporters to follow him. He must stand up unequivocally for Europe, for the ratification of Maastricht and for the eventual return of the pound to the *exchange rate mechanism*. If he does so, he certainly risks defeat. It is, however, his best chance. Next week in Brighton we will see if he takes it further than he did last night.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Major and government should resign

From Mr Christian Dummett.

Sir, Never before has a UK government so blatantly misled its own people, world financial markets and, most horrifically, the European Community over which it presides, as during the build-up to the latest devaluation of sterling. John Major and his government should resign and call a general election.

By its own admission, the Conservative party alone is the party that understands financial markets and believes in the unrestricted movement of capital and the merits of free trade. And, by that, it confesses to knowing how large a run on the pound could be.

In case one were tempted to *forgive the chancellor a certain* amount of ignorance, one might care to remember that, a week prior to our voluntary suspension from the ERM, Finland, Sweden and, above all, Italy witnessed colossal currency flows that savaged their financial markets. So Messrs Major and Lamont knew exactly what they would be faced with and were not prepared to do everything necessary to defend the pound.

If they had been prepared, they would have followed the Bundesbank in raising rates half a point earlier in the year. Failing that, they would have raised rates when their ERM Ecu divergence indicator went through the critical −75 level. Finally, they would have hiked rates 50 basis points on the *morning following the lira* devaluation, when the Germans wrong-footed the markets by shaving the Lombard rate a mere quarter of a point.

But the government never had any intention of raising rates for an indefinite period to protect the pound. Not once did Mr Major or Mr Lamont say he would raise rates.

This government could not bear a painful rise in mortgage repayments and so a last-ditch "we-tried-everything" strategy was hatched. The plan was to defend the pound with borrowed money and to jack up rates as a last resort, knowing full well that responsible home-loan lenders would not follow suit.

Unfortunately, when faced with death, there is no distinction between bravery and fear. When this government realised that the final nail was about to be hammered into the coffin of its economic policy, it pretended to go down with a spirited fight.

There has been much talk of speculators during this sad affair, but it is unlikely they played much part in the downfall of our currency. Aware of the government's lack of will power, fund managers, corporate treasurers and foreign investors lost faith in them and more crucially in the pound.

The only speculators on the horizon were a beleaguered Bank of England and a humiliated UK government. John Major should now resign.

Christian Dummett,
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Lee, London SE12 0AR

Nigeria fully committed to Opec

From Mr Taiwo Idemudia.

Sir, Neil Buckley ("Once again Opec shoots itself in the foot", Commodities and Agriculture, September 22) refers to a suggestion by Mr Vahan Zanoyan that "larger producers such as Nigeria and Venezuela might also be tempted to follow Ecuador" ostensibly out of Opec. This could not be further from the truth.

Nigeria does not see itself as a "weak and uninfluential member of Opec who just turns up, takes a lot of abuse from the Gulf countries and goes home". Having provided the Opec conference president for 11 of the last 15 terms, Nigeria has played a leadership role.

The Nigerian minister of petroleum and mineral resources, Dr Chu S P Okongwu, stresses that Nigeria remains fully committed to Opec, its objectives and its strategies. He says that at no time did Nigeria consider changing its status within Opec, much less withdrawing.

Taiwo Idemudia,
national representative to Opec,
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When traders become 'speculators' — and who are they anyway?

From Mr Michael A Keeley.

Sir, Must we continue to endure the nonsense of hearing politicians and commentators describe currency fluctuations in terms of perverse speculators who undermine policies of virtuous governments and mount bloodthirsty attacks on weak currencies?

Traders deal to make money or avoid losses, not to make expensive political points. It makes sense to sell a currency down to the level indicated by the fundamentals, but dealers have no incentive to sell below this point. Equally, pension funds and other investment institutions would be risking justified criticism if they failed to get out of currencies which appeared overvalued on the fundamentals. They have no patriotic duty to incur losses to maintain the currency at a particular level.

Politicians who are fond of extolling the virtues of the free market are often less than enthusiastic when market forces deliver results which are not to their liking. Traders then become "speculators" and enterprise becomes "greed".

The French finance minister has even reminded us of the dire fate of speculators during the revolution. He would be better advised to threaten the return of the guillotine for supporters of such market distortions as the CAP.

Until a single currency becomes economically and politically feasible, markets should be allowed to do their job. *Vive the marché libre!*

Michael A Keeley,
senior lecturer,
Department of Finance and Accounting,
Glasgow Polytechnic

From Mr Mike Shilling.

Sir, Who are these "speculators" that everyone has started whingeing about? Are they the young men in shirt-sleeves doing a job of work for the leading banks, to provide the markets without which British industry would suffocate?

Or are they the Treasury officials spending vast sums in an attempt to force those markets to move against their natural tendency — an outrageous gamble against the odds?

Mike Shilling,
2 Loveday Road,
London W13 9JS

V-2 rocket pioneers guided by space-age dream

From Mr H. Kromer.

Sir, Why are the British furious about the commemoration of the V-2 rocket? To me, they seem to have lost the ability to take an unbiased view of that fantastic technological breakthrough.

I am proud of the fact that inventors and engineers from my country opened the gate to space technology and the landing on the moon. As early as the 1930s the ingenious Dr Werner von Braun dreamt of the space age and — to put it bluntly — the V-2 was an aunt of the famous Saturn V b.

Those pioneers were guided by space enthusiasm and not by the idea of bombing the British capital.

I think you would have to concede that Sir Arthur Harris did not have that dream when he was bombing women and children in Dresden.

Hermann-Josef Kromer,
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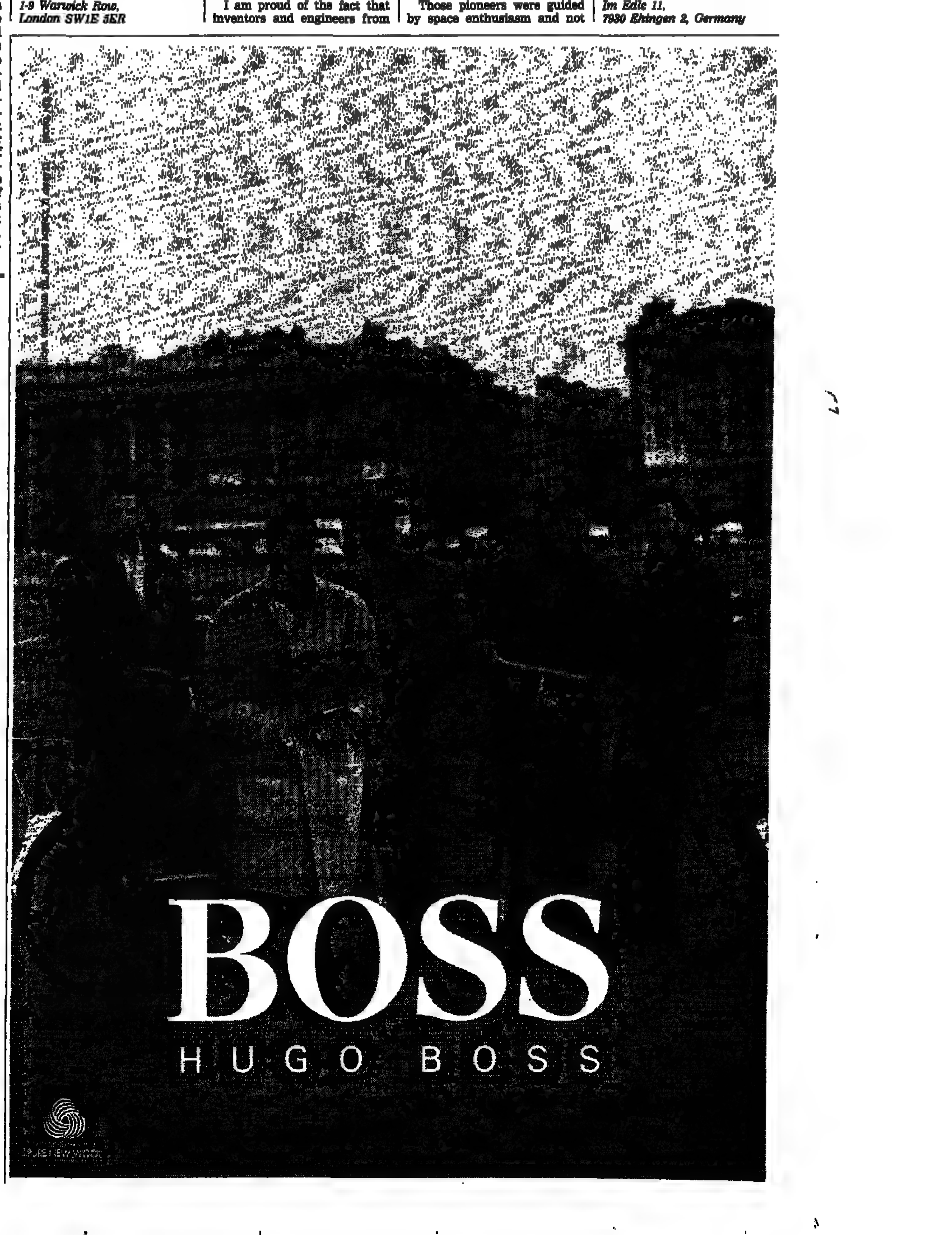
7930 Ehingen 2, Germany



OBSERVER

Honourable mention

■ Can anyone remember the last time the chairman of a *big international bank and* a bunch of his non-executive board chums resigned because they had let the side down?

True, career bankers sometimes get the chop for making too many dud loans or overspending on acquisitions. But it is almost unthinkable for big-wig non-executive directors to take the rap as well.

Hence the rarity of the boardroom exodus at Australia's troubled Westpac Banking Corporation. Chairman Sir Eric Neal, and four other members of the antipodean corporate establishment, have handed in their notice. Many of Westpac's problems can be blamed on bad management, but they occurred during the departing board's watch. So the five have done the honourable thing.

What a pity that similarly placed non-executive directors of big London clearers or New York money centre banks are so reluctant to follow the Australian example.

To sum up . .

■ Pity the MPs on the House of Commons Social Security Committee, chaired by Frank Field, as they wade through the enormous amount of technical information thrown up in their investigation on behalf of the aggrieved Maxwell pensioners.

What they really need is an accountant to help them interpret all the figures and ask the right questions of those summoned into their presence. They could also use some assistance with the answers.

The only problem is that among those being summoned are many firms of accountants. Indeed, after excluding the auditors and advisers to the Maxwell empire before its collapse, the administrators, receivers, liquidators and bankruptcy trustees following in its wake, and those on secondment to the Serious Fraud Office, there's barely a single firm left which doesn't have a conflict of interest.

Knight error

■ The Sun newspaper, in calling for the resignation of the "Eton-educated twit who runs the Bank of England" yesterday, fell into a common trap. "Sir" Robin Leigh-Pemberton is actually plain Mr and has not been knighted. On past form retiring Governors of the Bank of England leapfrog mere knights and are rewarded with peerages. Given the prime minister's keenness to reform the honours system it will be interesting to see whether this convention survives when Leigh-Pemberton steps down.

Pet-speak

■ Called on to justify the superior attitude they take to dog-owners, cat-lovers are apt to say their pets are more individual in character. Not so, however, according to marketing consultant Freddie Marsh, who has sent in a glossary of dog and cat noises in pet-food advertisements around the world.

Dogs of different nations vary markedly in their tongues. The Woof-woof of the British, for instance, must seem like Greek to the Spanish who say Bup-bup, let alone to the Ao-ão-saying Portuguese. And surely none of the Europeans could make head or tail of their Indonesian counterpart's Gong-gong.

"The only German he likes is the Queen"

Cats, on the other hand, express themselves everywhere with a close approximation to Miaow. Admittedly the glossary has Czechoslovakia's cats emitting a marginally eccentric Nnou. But a call to the Czech embassy established that what they really say is Mnou.

Cheeky

■ The Ottoman Sultans must be whirling in their graves. Seventy years after the end of the Turkish Empire, it seems that American pop singer Michael Jackson is scheming to assume their long vacant, 400-year-old throne in the Topkapı Palace.

Worse still for the imperial dignity, if Jackson sits down as planned on the seat of Süleyman the Magnificent and Selim the Sot on Saturday, he will be brandishing a profane Pepsi-Cola bottle.

The Turkish public is still mulling over the idea which, needless to say, was dreamed up by a pr company as part of Jackson's concert tour of Turkey.

Officialdom, in particular, is believed to be sharply split in its attitudes. On the one hand are those taking a dim view of the whole thing. On the other are those who think that a film clip of Jackson on the Ottoman throne amid dancers and sax players, would be an unmissable opportunity to introduce Turkey's culture to the rest of the world.

Blow for Punch

■ Has the fate of Punch, once Britain's best-known humorous magazine, been ordained?

United Newspapers — which owns the title — has been trying to contact Bill Tidy, a veteran cartoonist who lodged a bid for it at the end of August. He has joined forces with Canadian physician John Cocker who, among other things, is publisher of the unlikely-sounding magazine Punch Digest for Canadian Doctors.

But with an irony worthy of the old organ, Tidy himself is away in Gibraltar until next Tuesday. Still, Punch, which ceased publication in April, has been around for 150 years. So it can probably wait a couple of days more for resurrection from limbo.

Erm...

■ Observer's thanks to The Director magazine for this week's guide to personal financial issues, containing some trenchant advice from Financial Secretary to the Treasury Stephen Dorrell.

"If we are to build a world class economy that is able to compete with Germany, Japan and the US, we must match — and surpass — their enviable records on inflation. That is why government will maintain sterling in the ERM and move to the narrow bands in due course at our current central rate of DM 2.95."

FINANCIAL TIMES
Friday October 2 1992

Italy in talks on stand-by loan to boost the lira

By Robert Graham in Rome and *Lionel Barber in Brussels*

THE Italian government yesterday said it had begun discussions with its EC partners on a stand-by loan to boost the lira and sustain confidence in plans *for an early return* to the European Monetary System.

The surprise move was announced along with Italy's 1993 budget which was approved yesterday by the cabinet and promises to reform the country's *deteriorating public finances.*

The government also announced a plan to create a special fund, using privatisation *receipts and dividends* from state owned companies, to help pay off the state's debts. Mr Giuliano Amato, the prime minister, said the aim of the EC loan was partly political. At one level, he said Italy wished to demonstrate its continued commitment to the EMS, but at the same time the loan appears designed to provide *a rigid external framework for* Italy's economic performance. It would make it more difficult for parliament to water down the budget.

Officials declined to reveal the amount of the loan, but said the *move was different from the UK's* decision earlier this month to go to the markets for an Ecu loan to help protect sterling. It is expected to take up to four or five weeks to negotiate and would not be drawn down until after the 1993 budget was approved.

There was speculation yesterday that the stand-by facility might not be fully used if granted, providing the currency markets stabilised and interest rates began to fall. Mr Piero Barucci, the treasury minister, said the *facility* would be a "supercertification" by Italy's EC partners of the country's credibility. The lira was still under pressure yesterday, hovering around L880 to the D-Mark.

Brussels officials predicted a sympathetic response to the loan request. Mr Amato is seen as the best hope for tackling the country's budgetary crisis and restoring international confidence in the economy, but he needs outside help, an EC official said.

An EC loan would support *his* efforts to win parliamentary approval for his economic package, rather than a potentially contentious loan from the International Monetary Fund. "We would be keeping the problem within the family," the official said.

Brussels expects Mr Amato to seek financial aid under Rule 1969 adopted in June 1988 allowing the EC to help countries which experience balance of payments problems or adverse capital movements.

Some Ecu16bn ($22.4bn) has been set aside for support. Greece is the only EC member to have applied, securing a Ecu2.2bn stabilisation loan in February 1991.

Giuliano Amato announcing his 1993 budget yesterday. He is seen as the best hope for restoring confidence in the economy

International bonds, Page 23

Senate report accuses Bank of England over BCCI

By Alan Friedman in Washington and Andrew Jack and John Gapper in London

THE BANK of England was yesterday accused of "wholly inadequate" regulation of the Bank of Credit and Commerce International, and of withholding information about BCCI's frauds for 15 months before closing the *bank.*

This was the conclusion of a four-year US Senate sub-committee investigation into BCCI by Senator John Kerry, the Massachusetts Democrat, and Senator Hank Brown, a Colorado Republican, contained in a 780-page report published yesterday in Washington.

The Kerry report said that although the Bank of England received evidence of BCCI fraud in the Spring of 1990 it "colluded in the suppression of the true facts concerning BCCI's financial status and its involvement in fraud".

Although the report does not offer any conclusive new evidence about the fraud, it states that alleged errors in judgment by the Bank "collectively materially contributed to the losses incurred" by BCCI's depositors and creditors in the closure of the bank on July 5, 1991.

The Kerry report into BCCI ....Page 9

The Bank said it had not been asked to supply documents or give evidence to Senator Kerry. It believed that Lord Justice Bingham's inquiry would be more thorough because he had examined documents, and interviewed Bank officials.

The Kerry report claimed Abu Dhabi's involvement in BCCI's affairs was greater has previously been acknowledged.

Senator Kerry disclosed yesterday that Abu Dhabi is under criminal investigation by Mr Morgenthau's prosecutors.

The Kerry report also criticised Price Waterhouse, BCCI's auditors. It claimed that as early as 1987, Price Waterhouse had "ample reason" to recognise *there could be no adequate basis* for certifying that BCCI's books and records represented a true and fair view of BCCI's finances.

Price Waterhouse rejected the conclusions in the Kerry report as full of "unsubstantiated assertions", and expressed outrage that the committee had not responded to the firm's offer to come and talk to it in London.

● More than 90 per cent of creditors to BCCI have voted in favour of the plan proposed by the joint liquidators.

Standard Chartered admits it broke rules in India

By Stefan Wagstyl in Bombay

STANDARD Chartered Bank, the UK-based international banking *group, admitted* yesterday it was aware that its Indian banking operations could be infringing regulations 18 months before India's Rs35bn ($1.24bn) securities scandal erupted in May.

Mr Barry Northrop, special representative for India, said senior managers in London had believed the problems had been corrected after an internal investigation: "To our obvious embarrassment, we discovered we were wrong."

Standard Chartered has provided £100m ($174m) for possible losses incurred trading in the *Bombay securities markets.* It says it was defrauded and is looking to get money back through the courts.

In 1990, the bank's inspectors were alerted to possible irregularities in a department handling *corporate clients' funds for* investment. An executive in Bombay filed a report alleging that funds were invested in commercial loans and securities markets contravening central bank rules and internal guidelines.

The bank's inspectors confirmed the suspicions and said in a report the merchant banking division in Bombay had "aggressively pursued business for the group's benefit and deliberately or mistakenly circumvented proper avenues of control."

It said: "This may lead to short-term profit ... but it is probably a recipe for eventual loss and possibly action that could affect the bank as a whole."

The report was supplied by the bank to a parliamentary committee investigating the affair. Mr Northrop confirmed its contents.

Mr Northrop said that executives in the merchant banking division had disputed the 1990 inspection report, arguing that the business did not infringe guidelines and producing a legal opinion to this effect. A compromise was reached under which the division was permitted to continue portfolio management under strict guidelines.

However, said Mr Northrop, when the scandal broke this year, it emerged that the guidelines had been infringed.

Bombay market scandal, Page 6

HK Land buys stake

Continued from Page 1

Hongkong Land did not reflect the underlying net worth and prospects of the group and earlier in the day "strongly advised" shareholders not to sell.

The group mapped out its strat*egy after a board meeting with* its financial advisers, Kleinwort Benson and Lazard Brothers, its joint stockbrokers, Cazenove and UBS Phillips & Drew Securities, and its solicitor Ashurst Morris Crisp.

Some of Trafalgar's biggest shareholders yesterday sold shares to Hongkong Land's broker, Warburg Securities, but said they were unsure whether to take up the tender offer.

Hongkong Land's decision to take a *minority shareholding in* Trafalgar surprised the group's directors because of their close working relationship.

Jardine Matheson, which controls a third of Hongkong Land, jointly owns with Trafalgar House *Gammon*, a large Hong Kong contractor.

UK's lack of policy comes under attack

BUSINESS and financial leaders in the UK warned yesterday that the absence of a coherent economic policy and Britain's potential isolation from Europe could *damage* the country's prospects for economic growth.

As the latest tussle between the German and UK authorities simmered, industrialists and financiers urged the government to rid the country of uncertainty *by adopting a clear* economic strategy. Some said it would take a new chancellor to implement it.

Lord Alexander, chairman of National Westminster Bank, urged the government to make a *clear commitment to the Maas*tricht agreement.

One bank chairman, who refused to be named, said: "I am extremely concerned at the absence of an economic policy in the UK."

Mr David Lyon, chief executive of Bowater, the packaging and printing group, which has extensive activities in mainland Europe, said it was essential for the government to re-establish order in its management of exchange rate policy.

"We want order and certainty. In the absence of that we have huge movements of cash swinging around the world not driven by trade but by people speculating in money. That volatility is hugely damaging," he said.

Mr Geoffrey Shingles, the UK head of Digital Equipment, the largest US minicomputer manufacturer, said he was angered and frustrated by the government's inability to bring down interest *rates to a level which would help* industry.

Arguing that the German position was correct, he said of the UK government: "They have got themselves in a ridiculous situation. They had the chance to rebalance the economy and they threw it away".

Major set for battle with rebels

Continued from Page 1

closer definition of the respective *powers of Brussels and national* governments.

After an intense round of diplomatic contacts with his European partners this week, Mr Major believes that a declaration embracing the so-called subsid*iarity principle will be one of a* number of clarifications which will make Maastricht more palatable both to Denmark and to Conservative party MPs. If the Birmingham summit goes according to plan, Mr Major will hold a *debate on the principle of the* Maastricht bill soon after the House of Commons returns on October 19.

World Weather

		°C	°F
Ajaccio	S	24	75
Algiers	S	28	82
Amsterdam	C	16	61
Athens	S	27	81
Bahrain	S	32	90
Bangkok	R	33	91
Barcelona	F	24	75
Beijing	C	22	72
Beirut	S	28	82
Belfast	F	14	57
Belgrade	F	17	63
Berlin	F	15	59
Biarritz	S	20	68
Bombay		–	–
Bordeaux	F	21	70

		°C	°F
Boulogne	S	16	61
Brussels	F	15	59
Budapest	F	16	61
Buenos Aires	F	25	77
Cairo	S	29	84
Cape Town	S	22	72
Caracas	F	32	90
Casablanca †	S	23	73
Chicago †	S	6	43
Cologne	C	16	61
Copenhagen	C	13	55
Corfu	F	23	73
Dallas †	S	12	54
Dublin	F	16	61
Dubrovnik		–	–
Edinburgh	S	16	59
Faro	S	26	79
Florence	S	24	75

		°C	°F
Frankfurt	F	17	63
Geneva	S	17	63
Gibraltar	F	21	70
Glasgow	F	15	59
Helsinki	S	11	52
Hong Kong		–	–
Innsbruck	F	18	64
Inverness	F	13	55
Islamabad	F	30	86
Istanbul	F	18	64
Jakarta	R	33	91
Johannesburg	F	24	75
Lisbon	S	20	68
London	F	15	59
Los Angeles †	S	19	66
Luxembourg	F	14	57
Madeira	F	23	73
Madrid	S	24	75

		°C	°F
Majorca	S	26	79
Malaga	S	24	75
Malta	F	25	77
Manila	C	33	91
Melbourne	C	15	59
Mexico City	C	16	60
Miami †	F	25	77
Milan	S	21	70
Montreal †	[illegible]	1	34
Moscow	C	9	48
Munich	R	14	57
Nairobi	C	23	73
Naples	F	23	73
Nassau	C	31	87
New Delhi		–	–
New York †	S	6	43
Nice	S	23	73
Nicosia	S	28	82

		°C	°F
Oporto	S	20	68
Oslo	S	10	50
Paris	F	17	63
Prague	C	13	55
Reykjavik	F	11	52
Rhodes	S	26	79
Rio d'Janeiro	C	29	84
Rome	S	25	77
Salzburg	C	13	55
S'Francisco †	C	19	66
Seoul	S	25	77
Singapore		–	–
Stockholm	C	10	50
Strasbourg	F	16	61
Sydney	S	17	63
Taipei	F	30	86
Tangier	S	27	81
Tel Aviv	F	28	82

		°C	°F
Tenerife	F	24	75
Tokyo	C	21	70
Toronto †	S	5	41
Tunis	F	29	84
Valencia	S	25	77
Venice	F	22	72
Vienna	S	17	63
Warsaw	S	13	55
Washington †	S	6	46
Zurich	F	17	63

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

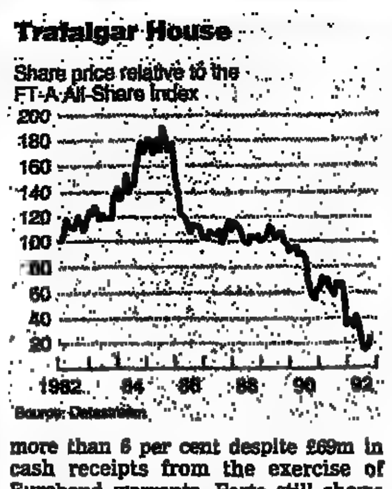
Battle of Trafalgar

It looks as though the good ship Trafalgar House has been well and truly holed by yesterday's dawn raid – and subsequent tender offer – from *Hongkong Land. The question is* whether the company will now sink ignominiously into the arms of its Far Eastern predator. For many in the City such a fate will be what Trafalgar's management richly deserves. Investors' patience has been sorely tried over the past couple of years by a series of strategic blunders, financial shocks, and apparent boardroom disunity. For some time the issue has been whether anyone would be prepared to come to the rescue.

Much depends on the precise intentions of Land, and what sort of a fist Trafalgar makes of a seemingly weak hand. One must assume that Land genuinely wants to stick at 30 per cent, and hopes to make *its* presence felt through its own directors and the undoubted influence its stake would be able to wield over a cash strapped company.

Other shareholders might wince at the prospect of backdoor control and rush to tender their shares; alternatively they might conclude that even without a full bid a fresh broom can yet unlock shareholder value. Therein lies the crux. Quantifying the real value of the asset rich businesses is an uncertain and highly *unscientific* game. If Trafalgar's management cannot make a reasonable case that 85p per share is not enough, then it deserves no mercy.

FT-SE Index: 2572.3 (+19.3)



Forte

It seems perverse that Forte's shares should rise by 10 per cent in response to first half profit figures 43 per cent below those achieved during last year's difficult Gulf war period. The explanation is only partly that the *City had been primed to expect bad* news. The market is also wondering if the company's fortunes have passed their nadir. There are faint signs of improvement in hotels; the devaluation should bring more US visitors to London; last but not least Rocco Forte was uncharacteristically chipper in his presentation of the figures.

But Mr Forte was doubtless well-groomed by his public relations people. His story hardly constitutes a convincing turnround. Room rates and occupancy are well below their level two years ago. The hotel business has managed gross cost savings of £26m and promises more, but on a net basis *costs are virtually flat. Net debt is up* more than 6 per cent despite £69m in cash receipts from the exercise of Eurobond warrants. Forte still shows no ability to trade its way into a more *comfortable cash* position. Perhaps that is why capital spending next year will be lower than in 1986.

It might be different if the board were strengthened and Gardner Merchant successfully sold. The sale would provide the resources for expansion in Europe at a time when properties may be going cheap. As it is, the *company seems to be hedging its bets,* with mutterings about the possibility of attacking Europe through management contracts which do not require much capital. The remaining picture is of hatches battened down till economic recovery arrives. At 149p much *of that recovery must be in the price.*

UK water companies

Ian Byatt, director general of Ofwat, caught the water companies napping with his proposal to curb water price rises by 2 per cent. Having agreed to restrain price rises by around 1 per cent last year, the industry expected plain sailing up to the comprehensive periodic review in 1994. However, the 3 per cent fall in the companies' share prices yesterday owed more to surprise at the regulator's ambush than to real worries about the industry's financial prospects.

That surprise looks rather overdone. With the regulatory noose tightening everywhere, clawing back the benefits of lower than anticipated construction costs was the least Mr Byatt could do to maintain a macho reputation as a watchdog. Water company profits are *running around 25 per cent ahead of* estimates before privatisation. Yesterday's announcement will only cut next year's pre-tax figure by some 2 or 3 per cent. Earnings growth and dividend *cover will remain high. There is no* financial reason why water companies cannot continue to pay real dividend increases of 5 to 6 per cent a year.

That said, the periodic review hangs heavily over the industry. Companies are understandably nervous at any hardening of *the regulator's* position. Some may even be tempted to try their strength against Mr Byatt by opposing this price restraint. Such tactics would only draw attention to their strong finances. Granted the review will make life harder for water companies, *but shareholders have far more* to lose from the ultimate sanction of a Monopolies Commission investigation than they could ever hope to gain.

Redland

It is hard to fault Redland's long-term strategy in the light of yesterday's 11 per cent decline in interim earnings per share. The merger benefits from Steetley so far are greater than anticipated at the time of the bid, even if the results from France will be disappointing this year. Redland stands out from some of its more pussy-footing peers in the way it is tack*ling overcapacity* in UK building materials. While one can quibble with the way it has chosen to revalue certain Steetley assets, the balance sheet is solid and well structured.

As with Blue Circle, however, the market is obsessed by Redland's divi*dend. Yesterday's 19p fall* in the shares to 343p was prompted by new fears that the 1993 payout will be cut. It certainly looks touch-and-go on current assumptions as to whether a maintained dividend will be fully covered, but so much depends on the *resilience of Germany and the outlook* for the UK when the decision is taken in March 1994. That is an awfully long way off. If the dividend is then maintained, the 9.7 per cent yield makes the shares an attractive bet, not least because of the gearing impact of any UK recovery. *Redland's ACT* position will ensure that any profit increase flows quickly through to the bottom line.

Eurotunnel

At current exchange rates the exercise price of Eurotunnel warrants is about 458p, not 416p as stated in yes*terday's column.*

FINANCIAL TIMES

COMPANIES & MARKETS

Friday October 2 1992

INSIDE

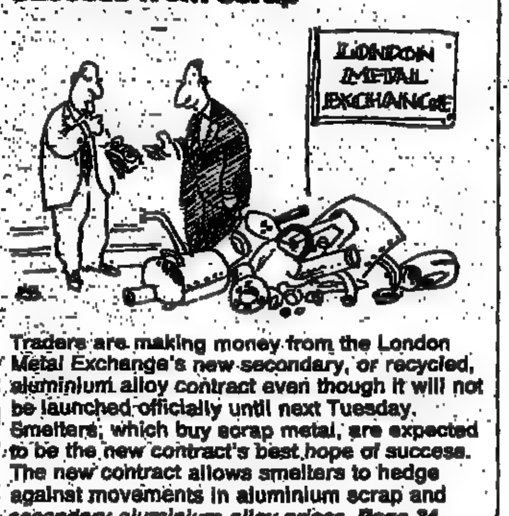
Saab warns of hard year ahead

The Saab car group of Sweden does not expect to improve on its 1991 pre-tax loss after financial items of SKr2.24bn ($422.6m). "The next twelve months are going to be a very difficult time," warned Mr Keith Butler-Wheelhouse, who took over as chief executive last month. The implication is that Saab could remain in the red for the whole of 1993, which would be its fifth year of losses in a row. Page 20

German sales help Redland

Pre-tax profits of Redland, one of Britain's biggest building materials group jumped 12 per cent in the first half. Mr Robert Napier, managing director, said the severe downturn in the UK construction market had been offset by strong trading in Germany and improvements in other overseas markets. Page 24

Success from scrap



Traders are making money from the London Metal Exchange's new secondary, or recycled, aluminium alloy contract even though it will not be launched officially until next Tuesday. Smelters, which buy scrap metal, are expected to be the new contract's best hope of success. The new contract allows smelters to hedge against movements in aluminium scrap and secondary aluminium alloy prices. Page 34

Allied beer deal approved

Allied-Lyons has won approval from the Office of Fair Trading for a revised beer supply agreement with Pubmaster, the Brent Walker retail arm. The minimum amount of beer that Pubmaster is now obliged to buy has been cut by about half to 100,000 barrels a year. Page 26

Daf hits back at rumours

Daf, the loss-making Dutch commercial vehicles maker, sought to counter adverse rumours that knocked its shares to an all-time low in early trading on the Amsterdam Stock Exchange. It repeated that it was close to securing Fl 210m ($130m) in loans from a Dutch and a Belgian bank. Page 20

Kuwait falls on reopening

The Kuwaiti stock exchange opened on Monday after a two-year closure forced by the Iraqi invasion. A temporary index set up by an independent company suggested that it closed its week 22.4 per cent down. Page 43

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch Reg	727	+	20
Bayer-Hypo	390	+	11
Schmalbach Lub	315	+	10
Falls			
Asko	500	–	15
Holzmann Ph	817	–	28
Rheinelektra	800	–	21
NEW YORK ($)			
Rises			
Coleman	24⅝	+	1⅛
Pennzoil	56⅜	+	3⅞
Falls			
Glenfed	15	–	¼
Medical Care Am	20⅞	–	4⅛
Software Publ	7¾	–	1¾
Sun Microsystm	28¼	–	3
PARIS (FFr)			
Rises			
AGF	381.5	+	12.5
Axa	778	+	33.
Bongrain	3190	+	100
Falls			
Pernod Ricard	411.5	–	38
Peugeot	524	–	20
UAP	385	–	13.5
TOKYO (Yen)			
Rises			
Bk of Yokohama	1080	+	105
Shokusan Jutaku	537	+	82
Falls			
Chuo Tst & Bkg	1620	–	180
Daikyo	700	–	80
Fuji	475	–	55
Sanrio	1070	–	120

New York prices at 12:30.

LONDON (Pence)			
Rises			
Asda Property	49	+	4
Barclays	349	+	12
Crown Eyeglass	140	+	14
Eurotunnel Uts	435	+	15
Forte	149	+	14
How Group	28	+	3
Pict Petrlm	83	+	6
Proteus Intl	357	+	17
RMC	168	+	9
Scottish TV	439	+	19
TI Group	282	+	12
Tepnel Diagnst	190	+	17
Trafalgar Hse	89½	+	29
Falls			
Mason	180	–	11
Allied Leisure	35	–	3
BET	102	–	8
BICC	260	–	12
BM Group	.70	–	21
Elsco	38	–	7
GR Hldgs	45	–	18
Norweb	415	–	17
Redland	343	–	19
Severn Trent	399	–	16
Utd Energy	11	–	3

Air France job cuts to reach 5,000

By William Dawkins in Paris

AIR FRANCE, the French state-owned carrier, yesterday provided the latest sign of continued recession in the world airline industry by announcing 1,500 job cuts and increased losses for the first half of the year.

The job reductions, to take place next year, come on top of the 1,000 jobs shed last year and the 2,500 already planned to go this year and in 1993.

Air France said it had to make these extra reductions because of worse than expected losses of FFr1.6bn ($310m) in the first half of this year, up from FFr1.16bn in the same period of 1991, and a sharp reversal from the FFr477m profit reported in the second half of last year.

Mr Bernard Attali, the group chairman, said the cuts should restore Air France to break even by 1994.

This is a year later than earlier forecast and follows FFr1.4bn of losses over the past two years.

Like its international competitors, the group is fighting a price war, especially on transatlantic routes, which represent 15 per cent of its annual sales, in an attempt to increase its share of sluggish traffic.

It has responded by slashing costs, while attempting to maintain capacity, which is why the latest job losses will be among ground staff.

By the end of next year, the Air France group, including its UTA long-haul subsidiary, will have lost 5,000 of its 45,000 staff and trimmed FFr3bn from its running costs.

The latest reductions will reduce the number of general management staff by 15 per cent, said a spokesman.

Air France said it could not exclude redundancies, for the first time in its history, though staff being made redundant would be offered retraining and a job elsewhere. All its previous job losses have been voluntary or through retirement.

The airline plans to acquire SNCF's 12.3 per cent stake in its Air Inter unit, paying the French national railway an unspecified number of Air France shares.

Air France said this would increase its parent company's capital by FFr560m from an accounting standpoint.

Air France said the deal would open the possibility of other shareholders acquiring stakes in Air Inter, which is France's main domestic airline.

Andrew Taylor and Roland Rudd explain the attraction of a debt-laden conglomerate

Eastern raiders start a battle of Trafalgar

Trafalgar House is a debt-laden property developer boasting a ship with a hole in it, hotels with empty rooms and a management reportedly at each others' throats.

Its share price dropped by two thirds in five months, and – say critics – its purchase last year of the Davy engineering business may have cost too much.

So why is Hongkong Land buying a large minority stake?

The answer lies in the potential value locked away in Trafalgar's battered treasure chest of famous names: Cunard, Ritz, Scott Lithgow, John Brown and Davy.

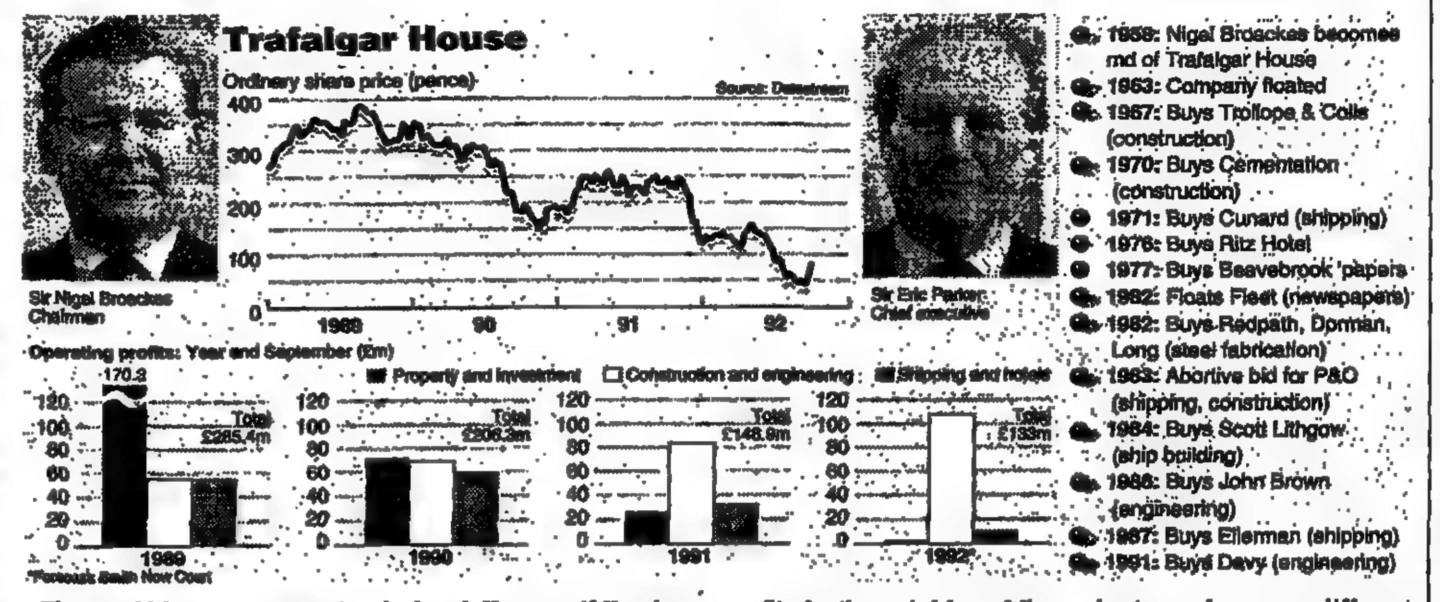
Some of these businesses have lost their sparkle – and the QE2, Cunard's most glamorous cruise liner, is under repair after running aground last month. But if the were businesses sold separately, they might fetch more than Trafalgar's market capitalisation of just over £600m ($1bn).

This calculation, say observers, lies behind yesterday's dawn raid on Trafalgar's shares by Hongkong Land, a sister company of Jardine Matheson, one of the last of the traditional expatriate-run Hong Kong trading companies.

In a matter of hours, Hongkong Land built up a stake of just under 15 per cent in Trafalgar. It announced its intention of moving as soon as possible to 29.9 per cent, the maximum permitted without triggering a full bid under Takeover Panel rules.

Mr Simon Keswick, chairman of Hongkong Land, and Mr Henry Keswick, chairman of Jardine Matheson, met Sir Nigel Broackes, Trafalgar's founder-chairman, to tell him of their move.

Sir Nigel must have been half-expecting such a visit. The slide in Trafalgar's share price before the raid had left the company conscious of its vulnerability. It has been hinting that it might be prepared to sell its hotel and shipping businesses – which include the QE2 and the Ritz – at the right price.



That would leave management to concentrate on a core business of construction and engineering, running with a shrunken property operation.

Any benefit this news might have brought to the shares was promptly undone by reports that the plan was setting Trafalgar's senior management at loggerheads. Sir Nigel Broackes is said to have faced disagreement from his chief executive Sir Eric Parker, who disliked the idea.

Now Hongkong Land has stepped in, offering a warm but potentially stifling embrace. It has two choices: to leave the management in place to carry out the divestment plan; or, if it grows dissatisfied, to press for management changes. It has already indicated it will ask for seats on the Trafalgar board.

Not surprisingly, Trafalgar's advisers were yesterday indicating that the group views Hongkong Land's actions as hostile. Sir Eric Parker said: "If there was a full bid we would know where we stood. But this in-between situation is unacceptable.

"We are in no mood to change the board. However, if Hongkong Land get control of 29 per cent of the shares we will have to listen to what they have to say."

A move by Hongkong Land to realise some of the value locked away in a weakened Trafalgar House may not be without risk. Trafalgar itself discovered the perils of bargain-hunting last year when it bought Davy.

Trafalgar seemed to be paying a discount price when it agreed to pay £114m for Davy. Since then, however, it has had to inject more than £100m of working capital into Davy, after finding that its problems were worse than it had thought.

As a result, Trafalgar remains highly borrowed. Net debt, including off balance sheet borrowings, is estimated by analysts at about £550m, representing gearing of near 90 per cent. Group results for the 12 months to the end of September are expected to include further substantial write-downs against its recession-hit housebuilding and commercial property operations.

Analysts estimate that pre-tax profits for the period have fallen from £122m to anywhere between £60m to £100m. Faced by these difficulties, it would be surprising if Trafalgar pays better than a nominal final dividend.

So how much is the business worth? It depends on whether you look at the profit and loss statement or the balance sheet, according to Andrew Mitchell, conglomerates analyst with stockbroker Smith New Court.

He says the group's engineering and construction business needs few fixed assets and is a generous cash generator; in the last 12 months, he thinks, it has generated profits of more than £100m. Assuming earnings of 7p a share and a conservative multiple of 12.5 times historic earnings, this business alone could be worth 90p a share.

On the basis of 1992 earnings Mr Mitchell has calculated an overall value for the group of 109p a share. That makes Trafalgar look cheap, based on Wednesday's closing price of 60½p for the ordinary shares, and still good value at yesterday's 89½p.

However, a look at the balance sheet produces a different answer. The group's net asset value may have sunk as low as 33p a share, says Mr Mitchell, if you discount the properties to reflect the current state of the market.

Such a calculation indicates that Hongkong Land might wish to follow the Broackes strategy, selling the asset-heavy parts of the business to concentrate on the engineering business created from Davy and John Brown.

When things go well, process engineering is a highly profitable, cash generating business. There are huge sums at stake, however, in a typical contract – and it only takes one contract to go wrong to wreck the profits.

That gives some force to Sir Eric Parker's comment yesterday: "Hongkong Land is just a property developer. What experience do they have of managing a construction and engineering group?" If it came to a fight, however, he might find that shareholders preferred a new hand, however inexperienced.

Lex, Page 18; Market report, Page 35

Westpac board members resign

By Kevin Brown in Sydney

THE chairman and four directors of Westpac Banking Corporation, Australia's biggest bank, resigned yesterday in the face of criticism from the markets and financial institutions.

Sir Eric Neal, chairman, Sir Neil Currie, deputy chairman, and three other long-serving directors had accepted responsibility for heavy losses and bad debts which had halved the bank's share price.

Westpac's problems came to a head last week when a A$1.2bn (US$850m) rights issue closed 72 per cent undersubscribed, forcing the underwriters to take up shares worth about A$860m. This followed a disastrous first half in which the bank incurred pre-tax losses of A$2.2bn after writing off A$2.65bn against bad debts, including a A$2.1bn write-down of its property portfolio.

Westpac said Sir Eric would be replaced by Mr John Uhrig, chairman of CRA, the mining group 49 per cent owned by RTZ of the UK. Sir James Balderstone, chairman of the AMP Society, Australia's biggest financial institution, was appointed deputy chairman.

None of the departing directors was available for comment. Mr Uhrig said they had resigned voluntarily "on the basis of the need to demonstrate board responsibility". He would not comment on why a number of other long serving directors had not resigned.

Mr Uhrig said there would be no immediate change in the bank's strategy of cutting costs, improving efficiency and resuscitating its battered public image.

Analysts said the resignations would help stimulate market support for Westpac's shares, which have collapsed from A$3.87 in August to less than A$3, about half the level of two years ago.

Westpac has suffered deteriorating losses for the last two years as falling asset prices have exposed the poor quality of many loans and property investments made during a period of rapid expansion in the late 1980s.

The mass resignation follows strong private pressure for tough action from institutional investors, and a campaign against the bank by dissident shareholders and much of the media.

Westpac shares closed one cent higher at A$2.86 on the Australian Stock Exchange.

Background, Page 22;
Observer, Page 17

US election uncertainty delays BA plan for USAir stake

By Charles Leadbeater in Tokyo, George Graham in Washington and Paul Abrahams in London

BRITISH AIRWAYS has been forced to postpone plans to proceed with the detailed implementation of its $750m purchase of a 44 per cent stake in USAir, the sixth largest US carrier.

Lord King, BA chairman, said the US was reluctant to proceed until the outcome and consequences of the US presidential election in November became clear.

The UK ministry of transport said the next round of bilateral talks with its US counterpart was scheduled between October 6 and October 9 in Washington.

The ministry said officials were expected to discuss access for US airlines to UK regional airports.

Also on the agenda was the right of UK airlines to fly beyond US gateway airports to other hubs. The issue of BA's links with USAir was clearly related, it said.

A delay until after the election would compress the timetable for talks as the agreement says that either party can pull out if the transaction is not concluded by Christmas Eve.

Meanwhile, in Washington, US airline executives launched a campaign against the British Airways-USAir deal.

Mr Stephen Wolf, chairman of United Airlines, said the deal as it stood was illegal because it gave BA control over every significant USAir decision. Even if it were restructured to comply with US law banning foreign control of US airlines, the US should still refuse permission.

Joined by Mr Robert Crandall, chairman of American Airlines, Mr Ronald Allen, chairman of Delta Air Lines and Mr Frederick Smith, chairman and chief executive of Federal Express, Mr Wolf said the deal would give BA total access to the vast US air transport market while US carriers were blocked from the UK and European markets.

"To allow this to happen would be the worst mistake our government has ever made in air transportation," Mr Wolf said.

BA responded saying: "They've said it all before. It was the same bleating as before, reinforcing our view that we have made a good deal."

Meanwhile, Lord King said the prospect of buying a stake in Qantas, the Australian state airline which is being privatised was a "quite a good prospect".

Japanese banks meet capital adequacy

By Robert Thomson in Tokyo

JAPAN'S leading banks heaved a collective sigh of relief yesterday as a combination of slower asset growth, a stronger yen and higher stock prices lifted them above an 8 per cent capital to assets ratio at the close of the first half.

The 8 per cent figure is a virtual obsession for the banks, which have come to regard the capital adequacy standards established by the Bank for International Settlements (BIS) as an important test of their soundness and a serious matter of face.

Sakura Bank, which had been at 7.56 per cent last September, apparently finished this September at around 8.2 per cent, thanks mostly to the surge in stock prices that accompanied recent emergency economic measures.

Most other commercial banks are believed to have closed the half at above 8.5 per cent, while long-term credit banks, such as the Industrial Bank of Japan and Long-Term Credit Bank of Japan, were close to or above 9 per cent. Official figures will be released with profit figures in coming weeks.

Japanese banks are allowed to count some unrealised gains on stocks as capital, but the weakness of stock prices this year had prompted them to find other, sometimes cosmetic, means of improving BIS ratios.

They increased subordinated loans from Japanese insurance companies, which can also be counted as capital, and closely monitored the growth of their assets. Regional banks, some of which have strong capital to asset ratios, reported that commercial banks approached them wanting to sell loans.

The regional Bank of Japan manager said it was sometimes unclear whether these loans had been permanently sold or merely "parked" with regional banks with a view to retrieving them later, if stock prices improved. At the same time, banks strictly limited foreign lending.

Determination to improve BIS ratios comes in spite of absence of sanctions for banks that fail to meet the requirements next March. It would be left to the ministry of finance to act, and in these difficult times, the ministry would be unlikely to punish a deficient bank.

Banks were happy yesterday that ratios were above the embarrassment threshold, but are concerned that stock prices again appear to be drifting lower.

Forte falls 43% as sales rise and shares jump 14p

By Michael Skapinker, Leisure Industries Correspondent

FORTE, the UK hotel and restaurant group, yesterday unveiled interim profits at the lowest end of investors' expectations, warned of a difficult second half, failed to announce hoped-for board changes – and was rewarded with a 14p jump in its share price to 149p.

Pre-tax profits of £24m ($42.72m) for the six months to end-July were down 43 per cent on last year, and Mr Rocco Forte, chief executive, warned: "The remainder of the year will not be easy."

The group defied the prediction of some analysts that it would announce the appointment of two new non-executive directors or unveil other board changes, possibly including the retirement of Lord Forte, the founder and chairman.

Mr Forte said, however, that the company was giving "serious consideration" to the composition of the board. "I would be very surprised if you don't hear something in the next six months," he said.

Although Mr Forte said cost reductions had produced improved August and September profits, Mr Paul Slattery, of Kleinwort Benson, said he thought yesterday's share price increase was overdone. "A lot of people are expecting far too much of a turnaround far too quickly," he said. Mr Peter Hilliar, of Barclays de Zoete Wedd, said, however, that the increase stemmed from a belief that trading conditions were past their worst.

Despite the fall at the pre-tax level, trading profits were up 2 per cent to £90m. Sales were £1.36bn, up 3 per cent. The slight improvement in trading profit was achieved despite an increase in the depreciation charge from £43m to £49m. Mr Forte said £26m in cost reductions had helped improve operating margins.

However, interest charges were £61m, compared with £51m last time – a result, Mr Forte said, of substantial recent investment.

The £1.295m net borrowings at the end of the half-year showed little change from the start of the year. Borrowings at the start of the year had been higher, however, than at the beginning of 1991, lifting the interest charge.

The interim dividend was maintained at 2.75p on earnings per share down to 1.6p.

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CCF 11.4% ahead at halfway

By Alice Rawsthorn in Paris

CREDIT Commercial de France (CCF), the large French bank, yesterday confirmed it was considering the acquisition of Charterhouse, the UK investment bank, and announced an increase in first-half net profits.

Mr Michel Pébereau, chairman, said CCF had achieved its 11.4 per cent increase in net profits to FFr495m ($103.6m) in the first six months of 1992 from FFr444.1m in the same period last year despite the "difficult" economic environment.

He attributed the bank's progress to "prudent" provision policies and cost control.

The announcement of CCF's profits growth comes at a time when other French banks, notably Crédit Lyonnais and Banque Indosuez, have been forced to make steep increases in provisions because of the precarious state of the property market and the rise in business failures.

CCF, like the rest of the French banking sector, has been steadily expanding outside France to counter the competitive state of its domestic market.

The acquisition of Charterhouse, the investment banking subsidiary of the Royal Bank of Scotland, could form part of that. Although Mr Pébereau said yesterday that CCF's deliberations were at a "preliminary stage".

During the first half, CCF, which has positioned its retail banking operations in France as a service-oriented network, saw net banking income increase by 2.7 per cent to FFr4.05bn. Gross operating profits rose by 6.6 per cent to FFr1.21bn, mainly because the bank managed to restrict the increase in costs to 1.1 per cent, below France's annual inflation rate of 3 per cent.

● Crédit Mutuel, another French bank, expects to produce static profits this year, according to Mr Etienne Pflimlin, chairman. In 1991 Crédit Mutuel made net profits of FFr1.33bn.

Crédit Local lifts first-half profit

By Alice Rawsthorn

CREDIT Locale de France, the bank specialising in local authority loans, has lightened the gloom in the French financial sector by announcing an increase in profits for the first half of the year.

Mr Pierre Richard, chairman, said Crédit Locale, which saw net profits rise by 6 per cent to FFr663.9m in the first half of this year over the same period in 1991, had benefited from "strong growth in activity despite the difficult economic environment".

The chairman anticipated further growth in the second half of the year, with the final increase in net profits approaching the upper end of his original forecast of 5 per cent to 10 per cent.

Crédit Locale, which last autumn was the first candidate for the government's partial privatisation programme, saw first-half net banking income rise 20.8 per cent to FFr1.54bn. Gross operating profits were 16.4 per cent up at FFr1.27bn.

Daf close to securing loans of Fl 210m

By Ronald van de Krol in Amsterdam

DAF, the loss-making Dutch commercial vehicles maker, repeated yesterday that it was close to securing Fl 210m ($130m) in loans from a Dutch and a Belgian bank.

The company's assurances were issued yesterday afternoon to counter a string of adverse stock market rumours that had knocked its shares to an all-time low in early trading on the Amsterdam Stock Exchange.

Daf, which is 16 per cent owned by British Aerospace, said speculation that it was facing payments difficulties were totally unfounded.

It also denied that the Dutch Ministry of Economic Affairs, which has been handling the request for a state-backed loan, was opposed to the company's recent moves to explore possible strategic links with foreign industrial partners. Daf is known to be holding talks with both Daimler-Benz of Germany and with Hino Motors of Japan.

Shares in Daf fell by Fl 2.60 to a low of Fl 12.60 in morning trading before recovering to Fl 13.60 mid-session. They later closed at Fl 13.20, down 13.2 per cent on the day.

Daf said that the Fl 100m subordinated loan from the Dutch National Investment Bank would carry conversion rights into ordinary shares and would have a life of 6.5 years. A loan agreement is expected to be signed in the next few days, it added.

It is also close to agreement with NMKN, a Belgian bank, on a Fl 110m non-subordinated loan which would largely be guaranteed by authorities in the Flemish part of Belgium, where Daf owns an axles plant.

Responding to a Dutch press report, a spokesman said he could not rule out that Daf officials had mentioned a higher figure than Fl 100m in their loan talks with the Dutch government, but he added that no written request for additional loans had been submitted.

TI Group takes charge for Dowty

By Richard Gourlay in London

TI Group, the UK engineering and aerospace company, yesterday said it had set up provisions of £87.1m ($155m) to cover integration costs and asset write-downs following the £525m acquisition of Dowty three months ago.

The announcement was welcomed by institutional investors, who in the past have been sharply critical of TI's acquisition accounting policies. The detailed breakdown and relatively modest level of fair value adjustments helped push TI's shares 12p higher to 282p, recovering some ground lost this week in a bout of pre-announcement apprehension.

TI says it has found no significant surprises in a detailed review of Dowty's operations. The only changes since the bid was launched are that the aerospace business is likely to remain more depressed for longer and global economic recovery has receded further than anticipated.

Mr Michael Garner, finance director, also described the level of provisions as "totally within our range of expectations". More than half the provisions are cash items, rather than asset write-downs, and seen by the company as productive investment.

TI's write-offs mean that net shareholders funds will have increased by only £100m, to £345m, as a result of the acquisition in spite of the £525m price tag on Dowty. TI argues that this small increase is a result of building a knowledge and service-based business where assets like the team of sales engineers are intangible.

Gross shareholders funds – a measure of the assets which includes goodwill – rise from £715m to £1.23bn as a result of the Dowty acquisition.

"We are buying earnings streams, cash-flow streams and market position and only peripherally the hard edged assets represented by the £100m addition to shareholders funds after write-offs," Mr Garner said.

TI's bank facilities are dependent on the group remaining within covenants based on gross shareholders funds, including goodwill.

TI says its decision to take Dowty back to its old and well-respected international aerospace roots has been well received by its customers.

Dowty has already taken a £25m write-off to cover closure of the Cognito paging business; the information technology business, another digression from Dowty's core aerospace business, has already been sold to Cray Electronics.

TI confirmed that it believed the Dowty acquisition would not dilute earnings materially in 1993.

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Saab stays pinned in the red

By Christopher Brown-Humes in Trollhattan

SWEDEN'S Saab Automobile expects no improvement this year on its 1991 result when it made a pre-tax loss after financial items of SKr2.24bn ($422.6m).

The prediction follows a sharp deterioration in second-half trading conditions and disappoints earlier expectations of a substantially reduced 1992 loss. In the first half, pre-tax losses after financial items narrowed to SKr800m from SKr1.59bn in the same 1991 period.

The 1992 forecast was given by Mr Keith Butler-Wheelhouse, who took over as chief executive last month. He expects the group to remain in the red for at least the first half of 1993, with prospects for the rest of next year hinging on the launch of a new model, scheduled for introduction in the third quarter of 1993.

"The next 12 months are going to be a very difficult time," warned Mr Butler-Wheelhouse.

The implication is that Saab, which is jointly owned by Saab-Scania and General Motors of the US, could remain in the red for the whole of 1993, which would be its fifth year of losses in a row.

Mr Butler-Wheelhouse said the second-half figures had worsened because of lower sales, particularly in the key US, UK and Swedish markets, and reduced margins.

The group originally hoped to sell 101,000 cars this year, but now fears it may only sell 90,000, although this is still up on 1991's 87,500.

He said he aimed to reduce the group's break-even production level from 100,000 units to 70,000.

He promised further rationalisation at the group, which has already been subjected to considerable restructuring over the last two and half years.

● New Swedish passenger car registrations tumbled to 10,905 units in September, down 26 per cent from 14,700 units the same month a year earlier, Reuter reports from Stockholm.

The decline follows falls of 26 per cent in August and 8.9 per cent in July.

SSAB in loss after 8 months

by Robert Taylor in Stockholm

SSAB, the Swedish steel company recently privatised by the Swedish government, suffered a SKr119m ($22.5m) loss – after financial items – in the first eight months of the year, it reported yesterday.

This contrasts with a SKr114m profit for the same period of 1991 and an SKr37m profit for the first four months of this year.

Operating revenues dropped drastically to SKr7.89bn for the first eight months, down from SKr9.23bn for the same period of last year.

The company blamed the sharp deterioration on its performance in the second four months of the year to the outbreak of the fierce European price-cutting steel war as well as the reduced demand for steel in industry, particularly in Sweden.

Mr Leif Gustafsson, chief executive, said that 1992 had turned out to be a tougher year for the steel industry than expected. He added that, despite a rationalisation programme that had slimmed its payroll by 7 per cent, SSAB would make a small financial loss in 1992 although normally the third four-month period is better than the other periods of the year.

Mr Gustafsson added that the whole of the European steel industry would suffer large losses in 1992 but SSAB had shown it was more effective than others in adapting itself to straitened times.

Ifil earnings boosted by one-off gains

By Haig Simonian in Milan

IFIL, the listed holding company controlled by Italy's Agnelli family, reported group pre-tax profits of L221bn ($178.4m) in the first half of this year.

Ifil has not previously given a consolidated first-half profits figure. Full-year group earnings in 1991 amounted to L180bn. At parent company level, net first-half profits rose by 18.6 per cent to L58.7bn from L49.5bn.

The group's earnings were boosted by a L162bn one-off gain from selling 10 per cent of the Galbani foods group to BSN of France. Ifil sold the shares in Galbani, in which it was formerly an equal partner with BSN, to the French foods group, for around L300bn last June.

● Stefanel, the Italian clothing group, reported a fall in first-half net profits to L18.2bn, from L19.1bn in the same period in 1991.

The decline stemmed partly from lower extraordinary gains, which amounted to L5.6bn in the first half of last year.

Sales climbed by 10.4 per cent to L215.3bn, while operating earnings rose by the same proportion to L22.2bn.

The group forecast full-year turnover would maintain the current growth rate, taking the total to around L480bn.

Reichmanns sell secret stake in NY development

By Bernard Simon in Toronto

CANADA'S Reichmann family has sold a secret stake in New York's World Financial Centre, acknowledging a hitherto undisclosed partnership between themselves and a company controlled by the Toronto branch of the Bronfman family.

Evidence of the Reichmann-Bronfman partnership in a company called Battery Park Holdings (BPH), which owns 35 per cent of the 7.6m sq ft World Financial Centre, has sparked a furore in Canada and the US.

Authorities in Canada are investigating whether the investment by Carena Developments, a Bronfman-controlled property holding company, in BPH, violated stock exchange disclosure requirements. The investment is worth US$120m.

Another Bronfman company, Hees International Bancorp, provided a loan to finance the Reichmanns' purchase of their 50 per cent stake in BPH.

Creditors of Olympia & York, the Reichmann-owned real estate developer which is under bankruptcy protection in Canada and the UK, have responded angrily to the disclosure of the Reichmanns' stake in BPH.

The creditors have gone to considerable lengths to probe the extent of the Reichmanns' business interests in order to generate as much cash as possible for O&Y.

Carena said yesterday the Reichmanns had sold their 50 per cent stake in BPH to Mr Richard Shiff, a Toronto property investor. Terms were not disclosed, but the company which holds Mr Shiff's stake in BPH still owes $120m to Hees. Carena continues to own the other half of BPH.

The Reichmanns' only previously-announced link to the Bronfmans was the shareholdings of O&Y and Carena in Trizec, North America's biggest publicly-traded real estate developer.

O&Y's Trizec stake was reduced from 36 per cent to 25 per cent earlier this year as a result of a share issue.

Mr Robert Harding, Hees's chief operating officer, insisted yesterday: "We've done the right thing throughout." He said Hees's and Carena's dealings with the Reichmanns were subject to the same confidentiality requirements as a banking relationship.

Carena earlier hoped that its investment in the World Financial Centre would facilitate a restructuring of Trizec's complex ownership.

Discussions on this restructuring have been suspended since O&Y's financial problems surfaced. O&Y's shares in Trizec form part of the collateral on its C$13.5bn (US$10.8bn) debt.

Enichem falls further behind in first period

By Haig Simonian in Milan

ENICHEM, the Italian state-owned chemicals concern which is one of Europe's leading plastics producers, suffered a group loss of L721bn ($600m) after minority interests in the first half of this year.

The result represents a marked deterioration in EniChem's performance, caused by the continuing recession and severe price competition for many plastics because of worldwide overcapacity.

In the first half of 1991, EniChem, now fully controlled by the Eni energy and chemicals holding company, lost L245bn. However, that figure included L224bn in extraordinary gains from the sale to other Eni companies of its Praoil refining subsidiary.

EniChem, which should shortly receive a L1,000bn cash injection from Eni, declined to give a profits forecast for the year. Officials indicated the cash injection, combined with efforts to cut costs and improve productivity, should contain this year's loss below L1,000bn.

At the operating level, EniChem's results deteriorated sharply, with a L169bn first-half loss, against a L140bn profit in the first half of 1991. However, the group said a better comparison was with the L217bn lost in the second half of 1991 to show the effect of cost-saving measures.

The group said the workforce had been trimmed by over 3,000 people to 34,733 in the past 12 months. Further benefits would come from the co-operation agreement and joint ventures signed with the UK's BP Chemicals earlier this year. However, the financial advantages would only be seen in next year's accounts.

Sales fell to L5,708bn in the first half, against L6,463bn last time. However, this year's figure was in line with the L5,694bn turnover in the second half of 1991.

EniChem's problem remains debts, which rose by 9.6 per cent to L7,677bn at end-June from L7,000bn last December.

Transformation at Digital pledged

By Louise Kehoe in San Francisco

MR ROBERT PALMER, who yesterday took over at the helm of Digital Equipment, the struggling US computer manufacturer, yesterday pledged to transform the company.

He said he would rationalise the company's product line, eliminate redundancy in research and development and significantly increase the pace at which the company was reducing the size of its workforce in a determined bid to return to profitability.

"Reducing unnecessary expense is vital and we are looking at every expense, whether large or small." Costs would be reduced by approximately $1bn, he said.

Mr Palmer was speaking on his first day as president and chief executive, the post he has taken over from Mr Kenneth Olsen, Digital's founder.

He said: "Digital is going to change. It will take time, but we are going to begin today. Digital will undergo a transformation.

"It is going to take time, a good deal of effort, a different management style . . . It took a long time for us to get ourselves in this position and it will take some time to sort out."

Digital has reported losses for the past two fiscal years. For fiscal 1992, ending in June, the company recorded losses of $2.7bn on sales of $7.7bn while in 1991 losses were $617m on sales of $8.3bn.

"The historically high profit margin on hardware and the business model upon which Digital was built are no longer sustainable," Mr Palmer said.

He said Digital would refocus its research and development spending.

"Our plan will be to reduce and re-allocate funds to support research and development that satisfies customers and provides an appropriate level of return. This will be a cultural change for Digital."

There was overlap and redundancy within Digital's current product line, Mr Palmer acknowledged.

"From now on, we are going to compete with other computer companies, not among ourselves," the company said.

Digital would have a "smaller, more focused workforce", he added, and would make cuts in its operations worldwide.

Compaq attacks Japan market

By Steven Butler in Tokyo

COMPAQ, the US personal computer company, yesterday launched a line of cheap desktop computers in Japan in an effort to lift its almost negligible share in the market.

The launch looked certain to accelerate the decline of PC prices in Japan, which tend to be much higher than in the US or Europe. However, analysts said Compaq's small presence in the market would mean the impact of its lower prices would be slow to be felt.

The computers are almost identical to computers Compaq launched in the US in June, and the prices in Japan only slightly higher.

The main difference is they will be equiped with the DOS/V operating system which can accommodate Japanese language programmes as well as normal IBM-compatible programmes. The computers are strikingly cheaper than similar computers on the local market and will provide a test case of whether it is possible to build market share in Japan on the basis of lower prices and US-style marketing.

Compaq will, for example, be the first computer vendor to offer a toll-free phone line to give advice to its customers.

The cheapest model, with an Intel i386sx microprocessor and 2 megabits of active memory will sell for Y128,000 ($1,030), roughly half the recommended price of a similarly-equipped computer from NEC, which supplies over half of the Japanese market.

The actual difference in price will be smaller because high dealer margins for an NEC machine leave room for bigger discounting. Mr Masaru Murai, president of Compaq's Japanese subsidiary, said: "I think this will change the personal computer world in Japan and that is our objective in this market. We are not here to introduce a price war. We are here to expand the market."

Compaq's main competitors in Japan, such as NEC Toshiba did not appear worried by the competition. Mr Katsuichi Tomita, general manager of NEC's PC marketing division, said NEC had in the past decade brought down the price of computers and this would continue. Mr Steven Myers, analyst at Jardine Flemming Securities, said: "NEC will have to make some response, but in all likelihood they will not have to match Compaq's prices."

Mr Myers said NEC's extensive dealer network, its strong customer base, the wide availability of Japanese software for its proprietary operating system, and its ability to provide extensive networking services for corporate customers would allow it to continue charging a premium price.

Compaq has signed on more than 40 dealers, which have 500 to 600 shops. It has contracts with two Japanese companies to provide on-site servicing.

Continental Airlines gets Esop offer

By Karen Zagor in New York

CONTINENTAL Airlines, a middle-ranking US carrier which has been operating under Chapter 11 bankruptcy protection since late 1990, has received yet another investment proposal, this time from a group of former executives as part of an Employee Stock Ownership Plan (Esop).

The proposal – the fifth in recent months – comes only weeks after Lufthansa, the German national carrier, filed a plan to acquire Continental for $400m in partnership with Mr Marvin Davis, the Californian financier.

The latest offer of $25m in equity and $400m in Esop debt, would leave employees with a 52 per cent stake in the reorganised company.

Creditors would get a 40 per cent tranche and the remainder would be held by senior management and Benefits Concepts of New York, a firm which designs, installs, administers and finances Esops.

Other bidders for Continental include an investor group headed by Mr Charles Hurwitz, a Texas-based businessman, an offer from Mr Alfredo Bresner, whose family owns a considerable stake in Mexicana Airlines, and an offer from Air Canada with another Texan investment group.

The face value of these packages has risen steadily from $350m to the latest $425m offer.

Daikyo to restructure operations

By Emiko Terazono in Tokyo

DAIKYO, a leading Japanese property developer, is to restructure its troubled operations, including its overseas resort business.

A rationalisation plan announced yesterday includes the sale of assets to subsidiaries and lowering prices of unsold flats by as much as 20 per cent to accelerate sales. The plan confirmed investors' worries over Daikyo's outlook and sent the stock plunging by Y80 to Y700 yesterday.

The company faces a squeeze in cash-flow as contract rates have fallen sharply and flat prices have plummeted.

Jitters over Japan's property-related companies have shaken the Tokyo stock market. However, government plans to set up organisation to buy land held as collateral by banks, to revive the property market, had restored confidence.

Daikyo will transfer property assets to affiliates and sell Y50bn ($4.02bn) worth of offices to a subsidiary.

ITT invests $680m in insurance division

ITT, the US conglomerate, is to invest $680m in its ITT Hartford Insurance Group, agencies report from New York.

At the same time, ITT Hartford is lifting its reserves for expected losses, and its parent company said it would take a net third-quarter charge against earnings of $582m, or $4.41 a share on a fully-diluted basis.

ITT Hartford will add $594m, after tax, to reserves to fund expected loss developments in surplus lines and reinsurance business written before 1986, by the Cameron & Colby group based in Boston.

ITT Hartford has also added reserves of $165m, after tax, for expected legal defence costs associated with environmental-related claims.

The insurance company And ITT Hartford will also realise $177m, after tax, in capital gains in the third quarter.

Loss at Banque Worms

By Alice Rawsthorn in Paris

BANQUE Worms, part of the Union des Assurances de Paris insurance group, fell into the red in the first half of this year with a net loss of FFr350m, ($73.22m) against net profits of FFr90m in the same period of 1991.

Worms, like other French banks, has been forced to make steep provisions (FFr353m in Worms's case) mainly due to the fall in property values.

● Rémy Cointreau, the French drinks group, announced that Andromède, an investment consortium, has acquired two-thirds of its voting shares.

The future of Rémy, which now has 31 per cent of its voting stock in the hands of the founding Cointreau family, has for some time been shrouded by speculation.

Shake-up at IBM's Japanese unit

By Steven Butler

IBM Japan, the Japanese subsidiary of the US computer group, yesterday announced a corporate restructuring to increase the operational autonomy of its marketing divisions.

The company said Mr Takeo Shiina, president, would become chairman and chief executive, while Mr Kakutaro Kitashira, vice-president, would become president in January. Under the restructuring, IBM Japan's general business division, which is in charge of marketing to middle-sized companies and personal users, becomes a wholly-owned subsidiary with a separate profit and loss account.

The services business division becomes a subsidiary. Expanding services to customers has become an important focus of IBM's efforts to grow in the Japanese market.

The Japanese parent will be responsible for large corporate customers, for IBM's Asia Pacific technical operation, and for general staff functions.

The moves follow the restructuring of IBM's worldwide operations to decentralise group functions into independent business divisions and subsidiaries.

	1992 $000	1991 $000
Investment income:		
Dividends	2,791	2,620
Interest	95	1,146
	2,886	3,766
Deposit interest	36	57
Total revenue	2,922	3,823
Administrative expenses	1,852	1,635
Revenue before taxation	1,070	2,188
Taxation	468	774
Revenue available to shareholders	602	1,414
Amount absorbed by dividend	172	861
Earnings per share	2.10 cents	4.93 cents
Dividend for the year per share	0.60 cents	3.00 cents
Net Asset Value per $0.10 Share	$4.82	$4.09

Westpac running out of time to get its act together

Kevin Brown in Sydney looks at the difficulties still facing the troubled Australian bank after the latest upheavals

WESTPAC, Australia's biggest bank, is not known for its sense of irony. But there must have been a few wry grins in the bank's Sydney headquarters on Wednesday when National Australia Bank (NAB) announced it had completed precautionary checks on the books of Bank of New Zealand.

The announcement confirmed NAB will proceed with its proposed NZ$1.48bn ($796m) acquisition of BNZ, which will propel it past Westpac as Australia's biggest bank in terms of global assets. Westpac directors, meanwhile, were wondering how many of them would have to fall on their swords to satisfy the markets' lust for boardroom blood.

Westpac has a special place in Australian banking history as the country's oldest bank. But it has paid a heavier price than the other leading banks for the ill-considered dash for growth in which they indulged in the mid to late 1980s.

Westpac's problems came to a head in May, when it wrote off A$2.65bn ($1.91bn) against bad debts, of which A$2.1bn reflected a revaluation of its A$6.3bn property portfolio. The write-offs left the bank with pre-tax losses of A$2.2bn for the six months to March, compared with profits of A$313m a year earlier.

Mr Frank Conroy, managing director, expected the substantial write-off to ease investors' fears about Westpac's exposure to corporate failures and the weak property market. At the same time, Mr Conroy sought to strengthen the bank's balance sheet by raising A$1.2bn through a 3-for-10 rights issue at A$3 per share.

However, the rights issue merely compounded Westpac's difficulties. Executives watched in horror as the bank's share price slid from A$3.87 on the day it was announced to A$2.99 on the day it closed. Not surprisingly, the issue fell A$880m short of target after investors took up rights to only 111m of 405m shares on offer, leaving CS First Boston and its sub-underwriters to take up the shortfall.

On a wider front, Westpac has been taking a public relations beating as Australian newspapers and television stations have relentlessly pursued allegations of fraud by bank officials in connection with a controversial foreign exchange loans scheme which left many borrowers heavily indebted after the Australian dollar collapsed in the late 1980s.

Westpac strongly denies criminal activity by any of its staff in relation to foreign loans. But the bank has also been identified by the New South Wales Independent Commission Against Corruption as one of a number of banks and insurance companies which illegally trafficked in confidential government information on customers.

Against this background, Mr Conroy admitted earlier this week that the bank was aware of concern among institutional investors about the composition of the board. But until mid-morning yesterday, both Mr Conroy and Sir Eric Neal, chairman, resolutely refused to say whether resignations could be expected.

Sir Eric, deputy chairman since 1987 and chairman since 1990, was the main target for a dissident shareholders' group led by Mr Gavin Solomon, a Sydney solicitor, which has gained credibility as Westpac's problems have worsened.

The group also sought the departure of Sir Neil Currie, a director since 1987 and deputy chairman since 1991, and several other long-serving directors. However, there was no pressure for the departure of Mr Conroy.

In the event, the board surprised the markets by announcing the resignation of five directors, a third of the total, including both Sir Eric and Sir Neil.

Westpac shares rose 1 cent on the announcement, to close at A$2.86. However, few observers expect a significant improvement in the short term because of the large volume of shares overhanging the market and continuing worries about the bank's exposure to the deteriorating commercial property market.

Sir Eric Neal (left), who resigned as Westpac chairman, is replaced by Mr John Uhrig (centre), who has a solid reputation in mining. Sir James Balderstone (right) is Westpac's new deputy chairman

Mr Conroy has forecast improved profits in the second half, and conceded that the markets will need to see at least three successive good half-year results from Westpac before the crisis of confidence in the bank can be said to be over. However, analysts say there is still a chance that Westpac may be forced into further large write-offs.

Mr Scott Hawker, an analyst at Salomon Brothers in Sydney, says: "There is a view emerging that while Westpac was conservative in May when it made those big write-offs, market conditions have undoubtedly deteriorated since then.

"There is at least a chance [of further major write-offs] because they will look very bad, having said they have taken all the pain, if ANZ or another bank comes out with further write-offs. At the least, Westpac's solid level of provisioning will have to continue. There is little room for them to cut back."

Mr John Uhrig, who replaces Sir Eric as chairman, had little to say about future strategy yesterday, preferring to concentrate his fire on the media, which many Westpac officials blame for precipitating the crisis. Mr Uhrig also had no answer to awkward questions about why other long-serving directors were remaining on the board.

However, Mr Uhrig has built a solid reputation as chairman of CRA, the largely British-owned mining group, and the consensus among analysts was that he and Mr Conroy should be able to convince investors that enough blood has been shed to demonstrate the board's contrition for past mistakes.

That will not be good enough for Mr Solomon, who made clear that he would continue his campaign for a vote on the continued incumbency of all directors at the next annual meeting, due in January. However, he is unlikely to persuade the institutions who own most of Westpac's shares to support a further upheaval.

The only other bright spot for Westpac is that federal government regulations prevent any other financial institution mounting a takeover attempt to take advantage of its weakness. But that will change if, as expected, the conservative opposition parties win the next federal election, due by mid-1993.

If that happens, NAB may be sorely tempted to double its asset base by bidding for its erstwhile big brother. Which gives Westpac about a year to get its house in order.

Foster's price hits the lees

By Kevin Brown

SHARES in Foster's Brewing Group fell 12 cents to a seven-year low of A$1.16 in Sydney yesterday, just 6 cents above the striking price for the group's A$1bn ($713.2m) rights issue.

Foster's Brewing rights, which allow purchasers to buy one Foster's share at A$1.10, closed at 7.5 cents each after the first day of trading, compared with a forecast range of between 10 and 12 cents.

Brokers said the market was nervous about the success of the issue because of the failure last week of a fully-underwritten A$1.2bn rights issue by Westpac Banking Corporation, which was 72 per cent undersubscribed.

The weakness of the market was underlined on Wednesday when Industrial Equity (IEL), part of the Adsteam group, said it had called off a proposed A$2bn flotation of its Woolworths retailing subsidiary.

Foster's is guaranteed a return of A$1bn from its rights issue, which is fully underwritten by Potter Warburg, the Australian investment bank, and supported by Broken Hill Proprietary (BHP), Foster's main shareholder.

However, a substantial shortfall in subscriptions could make it more difficult for other companies to find underwriting support for future capital raisings.

Foster's, the world's fourth-largest brewing group, announced the issue two weeks ago when it revealed a net loss of A$950m for the 12 months to the end of June.

The issue is designed to repair the group's balance sheet after hefty write-offs against property, rural and financial assets, including a A$1.3bn write-off in 1991-92.

BHP recently took a 32 per cent shareholding in Foster's by buying most of the stock held by International Brewing Holdings, a private company controlled by Mr John Elliott, a former chairman and chief executive of Foster's.

Jardine group's Hong Kong plodder takes a surprise step

Simon Holberton on the company that launched a dawn raid on Trafalgar House

HONGKONG Land may be the plodder in Jardine's portfolio of Hong Kong-based companies, but its capacity to surprise cannot be questioned.

In May, it stunned the colony's financial community when it sold one of its prime office and retail properties to a group of mainland Chinese investors for HK$3.8bn (US$492m).

The terms of the sale underlined what a superb deal it was. The Chinese buyers paid HK$400m up front, with the balance payable in three instalments by March 1993. Until the last payment, Hongkong Land keeps rental income from the property plus title.

The move hardly dented the company's hold on the best properties in the central business district of Victoria Island – it still owns 4.9m square feet of prime office and retail space – but it did lead property analysts to re-rate the sector.

Most importantly, in light of yesterday's raid on Trafalgar House, it promised to eradicate outstanding debt on Hongkong Land's balance sheet by the end of 1993. The local financial community has been expecting the company to use its virtually debt-free balance sheet to make a major acquisition.

Given the nature of the company, the most talked of acquisitions were properties in the portfolio of Olympia & York, the troubled Canadian property company. This was given added credence by the presence of O&Y executives in Hong Kong in the past year.

Trafalgar House is well known to Jardine. Both companies operate a joint venture civil engineering and construction company in the colony, Gammon. Over the past year, however, there have been signs that Hongkong Land wanted to diversify away from its core property, construction and management business.

This year, it is leading a consortium of companies in bidding for the right to develop the ninth container terminal at Kwai Chung, the colony's state-of-the-art container port. The tilt at Trafalgar House is another sign that Hongkong Land seeks a broader canvas.

But its bid to acquire 29.9 per cent of the UK builder will prompt a number of concerns in Hong Kong.

Jardine led the exodus from Hong Kong in 1984 when it moved its domicile to Bermuda and, more recently, pricked the thin skins of the establishment with its unsuccessful attempt to escape the local regulatory environment for London.

Yesterday's bid will reinforce local cynicism that this is another example of a British Hong Kong company "going home", like HSBC Holding's acquisition of Midland Bank.

More seriously, those with a sense of history will remember that it was Hongkong Land's diversification in the 1970s, together with the collapse in property prices in the Hong Kong in 1982-83, that nearly brought Jardine to its knees.

The Keswick family's grasp on the empire was regained only after a major restructuring of Hongkong Land which saw: the creation of a separately-listed Dairy Farm, Mandarin Oriental; the sale of Hongkong Electric – to Li Ka-shing – together with a fire sale of some of the company's better residential holdings; and, the creation of Jardine Pacific to hold the company's traditional trading businesses.

The difference this time is that in both its bid for a slice of Terminal 9 and its bid for a significant minority in Trafalgar House, the Keswicks are not betting the empire. The Trafalgar investment represents around 9 per cent of the company's net assets of HK$34bn; its potential stake in Terminal 9 a little less.

In both ventures the company is seeking board representation but not full operational control.

Germany leads continental European markets higher

By Simon London in London and Patrick Harverson in New York

THE German government bond market led most continental European markets higher yesterday as speculation mounted that the Bundesbank will cut interest rates at its regular bi-weekly council meeting today.

The benchmark 8 per cent bund maturing July 2002 closed on a yield of 7.41 per cent, down from 7.47 per cent on Wednesday. On Liffe, the December bund future opened at 90.90 but rose through afternoon trading to reach 91.35 by the close. Volume was heavy at 90,000 contracts.

The Bundesbank yesterday injected DM15.6bn short-term liquidity into the money market at a rate of 8.9 per cent, against a Lombard rate – the central bank's emergency funding rate for financial institutions – of 9.5 per cent. The operation was taken by some dealers as a sign of easier monetary conditions ahead. Expectations centred on a ¼ point cut in the Lombard rate.

However, more sceptical analysts said money market operations were in the context of very tight conditions created this week as the authorities squeezed interbank rates higher. They pointed out that the central bank's main economic indicators were not pointing to a rate cut.

M3 money supply grew at an annual rate of 9 per cent in August, higher than 8.5 per cent in July and well above a target growth rate of 3.5 per cent to 5.5 per cent. Based on figures from the west German Länder, annual consumer price inflation is expected to be 3.6 per cent for September.

■ UK government bonds ended sharply lower at the longer maturities yesterday as concern about the government's political problems and uncertainty over the future direction of monetary policy took hold.

The 9 per cent gilt maturing 2008 closed at 97¼, well down from the opening level of 97⅞, for a yield of 9.34 per cent. Shorter dated stocks performed better, underpinned by hopes of a cut in UK interest rates if the Bundesbank eases monetary conditions today.

On Liffe, the December gilt future opened at 96.23, rose to 97.10 during early afternoon but fell back to 96.16 by the close. Trading volume was light at 30,000 contracts.

The market was unsettled by the weakness of sterling on the foreign exchange markets. The UK currency stood at around DM2.48 by the close in London, from DM2.5175 on Wednesday.

■ ITALIAN government bonds rallied yesterday on increased hopes that the 1993 budget package will be passed by parliament, and an announcement that the government will ask for approval to borrow in foreign currencies.

On Liffe, the December bond futures contract opened at 91.45 but rose to 92.75. On the cash market, the 12 per cent government bonds maturing May 2002 closed at 92.75 from 91.07 on Wednesday, yielding 13.8 per cent.

Analysts said plans to take on foreign currency liabilities suggested the authorities were determined to hold the lira at around current levels on the foreign exchange markets.

■ SENTIMENT in the French market improved on hopes of a German interest rate cut with 10-year government paper yesterday matching the rally in bunds. The benchmark 8½ per cent OAT maturing 2002 closed on a yield of 8.61 per cent, from 8.67 per cent on Wednesday. The yield spread over bunds was little changed at 124 basis points.

The French Treasury successfully auctioned FFr12.3bn 10-year and 30-year paper. Bids covered the available stock around two times.

The franc strengthened slightly on the foreign exchange markets, closing against the D-Mark at FFr3.38. However, money market interest rates remained high, indicating continued pressure on the French currency. The Bank of France injected FFr10.7bn short-term funds to the money market, but overnight money rates remained at 15 per cent.

■ SPANISH government bonds fell sharply yesterday following the failure of an auction of government paper but recovered ground in line with other European markets during the afternoon.

The authorities declined all bids at the auction of three, five, and 10-year paper rather than pay higher yields. The auction followed the announcement that Moody's Investor's Service, the US credit rating agency, would review Spain's AA2 debt rating for possible downgrade.

The 10.3 per cent 10-year government bond opened on a yield of 13.27 per cent, but fell back to yield 13.58 per cent by early afternoon. However, a late rally saw bond prices close down only slightly on the opening levels and the 10-year benchmark finished the day at 13.32 per cent.

■ US Treasury prices rose sharply yesterday on further bad economic news.

By midday, the benchmark 30-year government bond was up ⅔ at 99⅞ to yield 7.308 per cent. The two-year note was also markedly firmer at mid-session, up ¼ at 100¾ yielding 3.656 per cent.

The news that sparked the early buying was a 15,000 increase in the latest weekly claims for state unemployment insurance. Most analysts had expected a modest fall in claims, not a big rise.

The figures raised hopes that today's important employment report for September would show a further deterioration in labour market conditions, and that the Federal Reserve would respond by further cutting interest rates to help the ailing economy.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.1895	-1.299	9.05	9.10	8.88
BELGIUM		8.750	06/02	101.3300	+0.580	8.53	8.63	9.13
CANADA *		8.500	04/02	105.0500	+1.000	7.74	7.66	7.29
DENMARK		9.000	11/00	96.7500	+0.150	9.58	9.70	9.84
FRANCE	BTAN	8.500	03/97	98.9293	+0.081	8.77	8.76	9.67
	OAT	8.500	11/02	99.1750	+0.595	8.61	8.67	9.16
GERMANY		8.000	07/02	104.0150	+0.440	7.41	7.47	7.90
ITALY		12.000	05/02	92.7500	+1.880	13.80†	14.11	14.02
JAPAN	No 119	4.800	06/99	100.6135	+0.051	4.68	4.75	4.89
	No 145	5.500	03/02	104.7515	+0.306	4.77	4.82	5.05
NETHERLANDS		8.250	08/02	103.0900	+0.250	7.78	7.81	8.34
SPAIN		10.300	06/02	83.5000	-0.500	13.81	13.21	12.81
UK GILTS		10.000	11/96	105-05	+3/32	8.50	8.51	9.96
		9.750	08/02	104-31	+2/32	8.97	8.92	9.65
		9.000	10/08	97-09	-14/32	9.34	9.16	9.35
US TREASURY *		6.375	08/02	100-21	+17/32	6.28	6.52	6.61
		7.250	08/22	99-04	+23/32	7.32	7.48	7.42
ECU (French Govt)		8.500	03/02	94.7500	+0.300	9.35	9.37	9.81

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Germans pour cold water on future of Ecu

By Tracy Corrigan and Richard Waters

SCEPTICISM about the future of the Ecu market is mounting, as negative remarks by German officials in recent days wiped out any remaining vestiges of investor confidence in the sector.

The prospects for further supply, even under the well-established programmes set up by the Bank of England and the French Treasury, appear to be dwindling.

Yesterday, Mr Johann Gaddum, a member of the Bundesbank's four-man directorate, poured cold water on the future of the currency. Speaking at a conference in London, he said: "A future European currency, whatever it is called, will not be a basket currency."

For the foreseeable future, the Bundesbank will continue to "feel responsible solely for the D-Mark, in the interest of domestic as well as foreign investors." Of the Ecu, he added: "We see no reasons why we should change our attitude to this artificial currency... The current outlook for the private Ecu market I think is rather gloomy."

On Wednesday, Mr Theo Waigel, Germany's finance minister, outlined his view of a two-speed Europe consisting of "concentric circles", with a nucleus currency based on the D-Mark which he termed the "Europamark".

Although the Bundesbank has long been known for its unfriendly view of the Ecu, the latest developments, at this crucial stage of debate on the path towards European monetary union, seem to stamp out hopes of a resurrection.

The Ecu bond market, which went into a steep decline after the Danes' rejection of the Maastricht treaty on June 2, is now barely traded. Ecu bonds now yield more than 50 basis points above their theoretical value – based on the yields of component currencies.

At this level, banks can asset-swap AA-rated Ecu bonds – from fixed-rate to floating-rate – at a level of about 20 basis points above the London interbank offered rate. For such a return, there is demand for the bonds as floating-rate assets, which is providing some support for the market. But in the longer term asset-swapping will further reduce the market's liquidity, since such paper is not likely to be traded.

Meanwhile, the UK and France, both committed to issue under Ecu programmes, could be forced to abandon or postpone plans for further auctions, according to some dealers. Financially, such issuance is no longer attractive due to the sharp rise in Ecu yields.

The French Treasury, which stated at the start of the year that it would hold an Ecu auction once a quarter, failed to issue during the third quarter, which ended on Wednesday.

"We are looking for the market to recover somewhat before issuing again," said a French Finance Ministry official, adding that he was confident issuance would resume.

The last Ecu OAT issue, totalling Ecu525m, was in April.

Meanwhile, the Bank of England is due to announce its next Ecu T-Bill tender next week. The T-bill tender on October 13 is due to be followed by a note tender on October 20. But some traders suggested that there will not be sufficient bids. Other dealers said that there should be a stronger bid for the Ecu short-dated T-bills, since there is still some Ecu cash to invest.

The Bank of England declined to comment on the prospects for the tenders.

In the meantime, dealers see little prospect of any return of investor interest. "The Ecu is not going to be the single European currency, and that seems to be the end of the story," said one trader.

The failure of the Yes vote in last month's French referendum on Maastricht to boost the market has destroyed what may have been the market's best prospect for a revival.

"It's more or less over for the Ecu market," said one trader yesterday. "It was fun while it lasted."

Roche completes record $275m equity placement

By Tracy Corrigan

ROCHE Holding, the Swiss pharmaceuticals group, yesterday completed the largest *stand-alone* equity placement in the US market under the Securities and Exchange Commission's (SEC) rule 144A.

The $275m issue of 10m American depositary receipts (ADRs) was arranged by Merrill Lynch.

Rule 144a, introduced in 1990, allows companies not registered with the SEC to place tradable securities with qualified institutional buyers.

Roche is also believed to be the first Swiss company to raise fresh equity capital in the US market, according to Merrill.

The issue could point to a new trend as Swiss companies become more concerned about the need to look beyond the traditional confines of their domestic market.

The 144A offering represents the latest move in Roche's bid to gain a more international investor base.

Roche is the only Swiss company to have already adopted international accounting standards, and in July set up a sponsored ADR programme with the Bank of New York.

With $8bn in cash, Roche has no immediate requirement for funding, but is aware of the need to expand its investor base.

Only 3 per cent of Roche's revenues come from Switzerland. The company has outgrown the Swiss domestic market and wishes to pave the way for potential funding needs in the future.

Ireland and Finland replenish foreign holdings

By Richard Waters

IRELAND and Finland yesterday turned to the Eurobond markets to borrow in European currencies, providing the first hints of what could become a wave of borrowing by European governments after the recent upheaval in currency markets.

INTERNATIONAL BONDS

Central banks from Scandinavia to Italy and Ireland have run down their foreign reserves in defence of their currencies, leaving them under pressure to replenish their foreign currency holdings.

In addition, heavy intervention by the Bundesbank to support several currencies within the ERM, among them the lira, sterling and French franc, has left the countries concerned with an obligation to repay the German central bank in D-Marks in the near future.

Yesterday's deals are only a drop in the ocean of the total amount of borrowing that will have to be done. Ireland borrowed DM300m with an issue that yields 35 basis points over 10-year bunds.

Finland, meanwhile, borrowed Sch1bn for 10 years at a yield of 8.4 per cent. One banker not involved in the deal calculated that the price would equate to around 92 basis points over US Treasuries if the deal had been done in dollars, though another cautioned against seeing this deal as providing an indication of the level at which Finland would have to borrow in currencies other than the schilling.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Samsung E-M Co.(a)♦	40	4.25	100	1997	2¼/1½%	CSFB
AUSTRALIAN DOLLARS						
BNP(b)	50	9	99.2	2002	2⅛/1½%	Hambros Bank
D-MARKS						
Crédit Suisse(Guernsey)	500	0	50.1	2002	2½/1½%	CSFB Effectenbank
Republic of Ireland	300	7.75	102.25	2002	2½/1½%	Dresdner Bank
Montreal Urban Community	130	8.125	102	2002	2½/1½%	Bayerische LB
Bayerische LB Int. Lux.	300	7.5	101	1997	2/1¼%	Bayerische LB
SCHILLINGS						
Republic of Finland	1bn	8.25	101.25	2002	2¼/1%	Creditanstalt
SWISS FRANCS						
La Poste	150	5.5	101.5	1997	-	UBS
Keiyo Co.(c)♦**	80	3.125	100	1996	-	Bank Leu

Final terms and non-callable unless stated. **Private placement. ♦With equity warrants. a) Conversion premium fixed at 6%. b) Fungible with existing A$125m 40 days after paydate. Plus 76 days accrued interest. c) Callable on 20/10/94 at 101% declining by ¼% semi-annually. Final terms fixed on 5/10/92.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on October 1

U.S. DOLLAR STRAIGHTS — OTHER STRAIGHTS — DEUTSCHE MARK STRAIGHTS — FLOATING RATE NOTES — SWISS FRANC STRAIGHTS — CONVERTIBLE BONDS — YEN STRAIGHTS

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107½	108¼	-⅛	4.67
ALBERTA PROVINCE 9 3/8 95	600	111¾	112¼	-⅛	5.09
AUSTRIA 8 1/2 00	400	111¼	111¾	+⅛	6.51
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COPENHAGEN TEL 8 5/8 96 LFr	600	98⅝	99¼		9.29
WORLD BANK 8 96 LFr	1000	97¾	98¼		8.91
[illegible]					8.42

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

* No information available - previous day's price
† Only one market maker supplied a price

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	35	35	7
Other Fixed Interest	3	12	0
Commercial, Industrial	314	225	886
Financial & Property	139	108	564
Oil & Gas	25	10	50
Plantations	0	0	9
Mines	36	23	88
Others	67	11	37
Totals	619	424	1,631

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+or-	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	118	95	Broadgate Inv Trust	95		-	-	-	-
-	F.P.	-	33	30	Do. Warrants	[illegible]		-	-	-	-
-	F.P.	-	13	7	Dartmoor Warrants	11		-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+or-
100p	F.P.	-	110p	105¼p	Falcon Inv Tst Zero Div Pf	107½p	-¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-
27	Nil	12/11	8pm	3½pm	Aviva Petroleum	3½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. e Earnings based on preliminary figures. Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. K Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. Issued by way of capitalisation. Placing price. Reintroduction. Unlisted securities market. Issued in connection with reorganisation, merger or takeover. pm Price at a premium. Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares.

TRADITIONAL OPTIONS

- First Dealings Sept. 28
- Last Dealings Oct. 9
- Last Declarations Dec. 30
- For settlement Jan. 11

3-month call rate indications are also shown on this page.

Calls in ASDA, Cannon Street Invs., Dixons, Kunick, Racal Elects., Royal Insce. and Trafalgar House. Double in Hanson warrants.

LIFFE EQUITY OPTIONS

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*726)	700	46	66	81	15	26	32
	750	20	40	54	42	52	57
Brit Aero (*131)	110	34	43	43	11	18	25
	120	28	30	38	15	23	30
	130	23	34	36	20	28	35
British Gas (*247)	240	13	19½	21	10	12½	18
	260	5	11	12½	24	25	30
Dixons (*207)	200	23	29	35	10	16	18
	220	13	19	25	21	26	29

October 1 Total Contracts 34,982
Calls 23,880 Puts 11,102
FT-SE Index Calls 3,275 Puts 3,535
Euro FT-SE Calls 2,780 Puts 1,597
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	35	Hanson	15	Ratners	2½	Land Sec.	32
Allied-Lyons	47	Charter Cons.	44	ICI	85	Reed Intl	42	MEPC	22
Amstrad	4	Comm Union	42	Ladbroke	20	Sears	7	■ OILS	
Astec (BSR)	3½	Courtaulds	38	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	6
BAT Inds	60	Eurotunnel	32	Lex Service	19	TI	28	BP	22
BOC	49	FKI	8	Lloyds Bank	34	TSB	11½	Burmah Castrol	56
BTR	35	FNFC	6	Lonrho	8	Tesco	17	Conroy Pet	6
Barclays	28	Forte	17	Lucas Inds	11	Thorn EMI	56	Gaelic Res	½
Blue Circle	19	GKN	33	Marks Spencer	25	T & N	15	Premier Cons	2½
Boots	31	Gen Accident	40	NatWest Bank	26	Unilever	75	Shell	42
Bowater	56	GEC	17	P & O Dfd	32	Vickers	9	Tuskar Res	½
Brit Aerospace	30	Glaxo	15	Racal Elect	6	Wellcome	71	■ MINES	
British Steel	8	Grand Met	34	RHM	14	■ PROPERTY		RTZ	50
BT	25	GRE	13	Rank Org	42	Brit Land	15		

Overseas boost for Redland

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Redland, one of Britain's biggest building materials group jumped by 12 per cent to £88.5m in the first six months of this year.

Mr Robert Napier, managing director, said that the severe downturn in the UK construction market had been offset by strong trading in Germany and improvements in other overseas markets.

The results were assisted by a £15m contribution from Steetley, the UK building materials group acquired by Redland earlier this year.

The interim dividend is maintained at 8.25p. Earnings per share fell from 13.1p to 11.6p after taking account of shares issued for Steetley and increased minorities of £14.9m (£11m), mostly in Germany.

Redland estimated it would achieve savings of £30m a year by integrating Steetley. Since the purchase the UK aggregate and brick businesses had been merged. Steetley's headquarters closed and two French businesses merged resulting in 800 job losses.

Robert Napier: UK prospects for rest of year remain poor

Mr Napier said that trading had been excellent in Germany where the group has a 51 per cent stake in Braas the country's biggest roof tile maker.

Eastern Germany was benefiting from investment in improved housing. The housing market had also remained buoyant in western Germany. Overall German profits rose by a quarter to £41.1m.

Redland's share price fell 19p to 343p yesterday on fears that growth in German construction may slow next year while the UK market is expected to remain severely depressed.

Profits from other continental European countries also rose sharply during the first half from £13.8m to £20.9m.

The group said that it was working hard to bring Steetley's French aggregates businesses under control with volumes and profits lower than during the corresponding period last year. Steetley's Spanish profits were also lower due to a slow down in the Madrid construction market.

The UK market is where Redland has been hit hardest with sales and prices of many of its products sharply lower. Without the contribution from Steetley, UK profits would have seen a big fall. As it was the decline was restricted to just £600,000 to £19.5m.

Mr Napier said: "In the UK prospects for the rest of the year remain poor although the restructuring of the Redland and Steetley aggregates and brick businesses will provide further opportunities for cost savings. In Germany, trading continues to be strong and the outlook remains good."

See Lex

Cornwell Parker aided by low interest

By Paul Taylor

CORNWELL PARKER, the furniture and fabrics group, lifted annual profits by 2.6 per cent despite a decline in turnover caused by what Mr Martin Jourdan, chairman, described as "the lowest demand for many years."

Pre-tax profits in the year to July 31 increased to £8.26m (£8.05m) helped by a sharp reduction in net interest payments to £29,000 (£543,000).

Although turnover slipped by 3 per cent to £90m (£92.8m) in "extremely difficult market conditions", Mr Jourdan said about a third of sales came from new products successfully introduced in the last two years.

These products, in both the furniture and fabrics divisions, combined with "stringent management controls" and further cost reductions, helped maintain operating margins at over 9 per cent.

Overall trading profits slipped to £8.29m (£8.59m) with most of the decline coming in the furniture division which bore the £250,000 costs of a management consultancy report on the Nathan Furniture business.

Trading profits in the furniture division fell by 5 per cent to £5.37m (£5.65m) on turnover down 4.1 per cent to £55.8m (£58.2m). However, the division, led by Parker Knoll which increased profits for the seventh successive year, was able to increase market share and maintain operating margins.

The fabrics division posted trading profits of £2.92m (£2.94m) on turnover of £34.2m (£34.6m) and was also able to finance the launch of new ranges and brands "invaluable in the fight for increased market share." After the end of the financial year the group bought Fardis from Osborne & Little to strengthen its position in the French fabrics market.

Earnings per share rose to 13.3p (13.2p); the final dividend goes up to 4p making a total of 5.7p (5.5p).

COMMENT

During the recession the management has wisely focused on reducing working capital, cutting costs and improving productivity, while still funding the launch of a stream of new products. Once the upturn comes, Cornwell Parker will be among the first to benefit, but with neither the housing market nor high street spending showing any real signs of a pick-up, it is stuck in a holding pattern. The share price peaked at 239p the end of May, but the long-awaited recovery failed to materialise and it has since sunk to 188p. With pre-tax profits expected to total about £8.75m this year, and earnings per share of perhaps 14p, the shares are trading on a prospective p/e of 13.4 and look like a reasonably cheap buy for the optimist.

Alexon profits downgraded following stock hangover

By Jane Fuller

A SALES fall of about 10 per cent in Alexon Group's main brands cut pre-tax profits by 46 per cent in the six months to July 25.

The slide from £3.82m to £2.08m followed a 7 per cent decline in turnover to £48.7m from £52.5m (or £56.1m including discontinued activities). Sales in the south-east were particularly poor.

And there was further bad news in that Mr Lawrence Snyder, chairman, said unsold stock from the spring and summer – in spite of extending the sale through August – would probably lead to a write-off at the end of the year. The shortfall on expected sales was about £4m.

Analysts typically downgraded profit forecasts by £1.5m to take account of this.

The share price shed 18p to close at 180p, compared with 444p in September last year, not long after the retail group demerged from Claremont Garments (Holdings), the Marks and Spencer supplier.

Ms Ruth Henderson, chief executive, said Alexon ladieswear had performed the worst with a like-for-like sales fall of more than 10 per cent. Dash leisurewear was down by nearly 10 per cent.

Eastex, aimed at the older, shorter woman and relaunched early last year, had gained 10 per cent and was now approaching a quarter of the business.

The three brands had got off to a good start with their autumn ranges. However, Mr Snyder pointed out that the comparison was against a dreadful September 1991.

He was in *mea culpa* mood, saying the group had got "an awful lot wrong" in the past couple of years. The group had survived the early part of the recession relatively unscathed and its ranges had not been "as fashionable as they should have been". In Dash it had had to broaden the product range considerably to tackle the problem of copying.

He said the stock problem should not recur because the group had ceased to commission so much in advance.

Interest payments amounted to £803,000 (£557,000) and the average overdraft was about £14m.

Fully diluted earnings per share fell to 4.39p (7.66p). The interim dividend is held at 3p.

COMMENT

Alexon annoyed analysts six months ago with an unexpected £400,000 pension cushion for its profits, and it has annoyed them again with the stock hangover. This is enough to set hands wringing over the management's credibility. However, the past year's disappointment ought to be seen against a good record over the previous eight years, especially in building up Dash and reviving Eastex since their acquisition in 1988. Much effort has been put into revitalising the products and the group has traditionally been tight on costs. There is no denying that the stock mistake was a big one – and showed that the management had got blasé about sales. The lesson seems to have been learnt. A pre-tax forecast of £7.5m gives a prospective p/e of 12.5. This is at a discount to the stores sector, which it has underperformed by about 60 per cent in the past 12 months. Considering its long-term recovery prospects, it looks cheap and is supported by a yield of nearly 8 per cent.

Property Trust calls for £2.6m as losses slow

The Property Trust reported sharply increased pre-tax losses of £7.95m for the year to March 31, against £3.14m previously.

The results, which reflected a slowing of losses in the second half, after a deficit of £6.32m in the first six months, were accompanied by a proposed £2.6m rights issue.

The group, which reorganised its capital earlier this year, also confirmed its move to the main market.

It yesterday forecast that, subject to the completion of a property sale, pre-tax profits for the six months to September 30 would not be less than £400,000.

In the 12 months under review, turnover rose sharply to £9.52m (£1.32m) but cost of sales took £11.9m (£285,000) and provisions for lower property values came to £2.36m (£1.3m).

An exceptional charge of £1.75m comprised £695,000 written off an investment property and £1.06m against other investments and loans. Losses per share jumped to 104.7p (56.3p). An extraordinary charge of £78,000 related to costs of the capital restructuring.

Shareholders will be offered three new shares for every two held, at 25p apiece. Payment is in two instalments, with 10p due on acceptance and the balance by next March.

The shares fell 1p to 21p yesterday.

Kleinwort to take advantage of economic reform in China

By Alexander Nicoll, Asia Editor

KLEINWORT Benson Investment Management has raised $60m (£33.7m) for a closed-end fund investing mainly in unlisted Chinese companies.

The London-listed fund will take minority stakes, averaging about $5m, in existing profitable companies which aim to obtain a stock market listing within a few years. Typically, the companies would be rural or township enterprises set up by local communities.

The companies would generally be involved in exports, though the fund was also attracted by the rise in Chinese consumer spending, with foreign investment in retailing recently permitted. Companies which earned domestic currency can swap it into foreign exchange.

Mr Robin Fox, chairman of the fund and vice chairman of the Kleinwort Benson group, said the stakes would be of 25 per cent or more because enterprises obtaining this level of foreign investment obtained significant tax advantages – usually a three-year tax holiday and a further period of reduced tax.

The fund, to be managed from Hong Kong by Mr Andrew Taylor, aims to take advantage of economic reform in China, which took off again this year and has boosted the types of enterprises in which it plans to invest.

Mr Fox said the best value was to be found in unlisted companies rather than on the Shenzhen and Shanghai stock markets, which were showing signs of "indigestion" after their hectic rise earlier this year.

The fund's managers will be advised by CIEC Investment Advisers, a subsidiary of Citic, a leading Chinese financial institution. CIEC is, Mr Fox said, the only Chinese-owned accountancy firm which was allowed to prepare companies for stock market listing. Lack of adequate accounting standards has been a problem for investors in China.

The fund expects not to pay a dividend in the first year, but to do so thereafter. Half of the $60m is to be paid up and the remainder will be called when the first tranche is 75 per cent invested. Up to 25 per cent of the money may be invested in listed stocks in Hong Kong and China and in Chinese companies outside China.

Time Products records 28% improvement to £3.9m

By Walton Morais

A FIRST-TIME contribution from its Apollo strap business, savings on the discontinued Hong Kong operations and an exceptional gain on sale of investment properties pushed up interim profits at Time Products, the watch and jewellery distribution group.

Pre-tax profits for the six months to July 31 rose by 28 per cent from £3.04m to £3.9m. Trading profit increased sharply to £2.2m (£1.33m) on increased sales of £20.5m (£19.4). Earnings jumped 33 per cent to 5.33p (4.02p).

Mr Leslie Michaels, finance director, said a £300,000 contribution to trading profit from the Apollo strap business, acquired last October for £6m, was effectively profit-neutral because of financing costs involved in the purchase.

Trading profit was also boosted by the exclusion of losses from Remex, the Hong Kong manufacturing subsidiary, the closure costs of which have already been provided for. Trading losses at Remex in the first-half last year amounted to about £400,000.

Mr Marcus Margulies, chairman, said the results were satisfactory in difficult economic conditions.

Although the immediate economic prospects remain uncertain, he said, the company was in a fortunate position with strong brands, a healthy balance sheet and experienced management.

Increased sales of luxury watches contributed to the rise in turnover, although sales from the volume watch division were down. The exclusion of about £6m turnover from Remex was partially replaced by sales of about £5m from Apollo.

A £612,000 exceptional gain came from disposal of three floors of office space at the Remex Centre in Hong Kong, where the company still holds another eight floors.

Finance income fell 24 per cent to £1.09m on lower interest rates and costs incurred in the acquisition of Apollo.

An increased interim dividend of 2.75p (2.65p) is declared.

Frogmore Estates ahead 36% after fall in property provisions

By Peter Pearse

FROGMORE ESTATES, the property company, yesterday announced a 36 per cent pre-tax profits increase, from £7.11m to £9.7m, in the year to June 30.

With turnover down at £41.7m (£47.6m), the pre-tax rise was struck after a sharp fall to £815,000 (£2.26m) in provisions needed to reduce the cost of trading properties, litigation costs of £1.42m (£525,000) over the 1986 acquisition of Land Investors by BCPH, and interest charges lower at £1.7m (£3.2m).

Breaking out the pre-tax figure further, profits on ordinary activities, including rents and trading, more than doubled from £4m to £9.89m, while losses from the sale of investment properties amounted to £195,000 (profits £3.1m).

Mr Dennis Cope, chairman, said that the advance in the contracted rent roll, from £12.9m to £18.2m, came mainly from acquisitions, rent reviews and new lettings.

Year-end borrowings totalled £45.8m, giving gearing of 28 per cent: this contrasted with £7m at the end of December.

However, Mr Cope said: "The board will continue to proceed with extreme caution in this unprecedented financial turmoil".

The company continued to expand its joint venture housing activity north of London and within the M25 semi-circle with housing companies Fairview and Rialto as partners. Profits of £3.1m (£1.8m) were made and 395 (160) dwellings sold, mainly to first-time buyers.

The final dividend is lifted by 1p to 11.6p, giving a total of 15p (13.8p), payable from earnings on ordinary activities of 16.4p (7.2p).

Harmony dissidents seek EGM to oust board

By Tim Burt

A GROUP of dissident shareholders in Harmony Leisure, the loss-making pubs and restaurant group, yesterday announced moves to oust the board at an extraordinary meeting.

The rebel group, led by Mr Andrew Martyr, a former hotel executive, claims that more than 30 per cent of shareholders back their call for an EGM.

Mr Martyr has told shareholders that the dissidents, if elected, would return Harmony to profit and raise capital to expand the chain of 23 pubs and restaurants.

The USM-quoted company reported a loss of £1.04m in the year to March 31 1991 and a further £445,000 in the following six months.

It said yesterday that its 1991-92 results, due earlier this week, would be released on Tuesday and an annual meeting would be held next month.

Mr Stanley Lever, managing director, vowed to fight off the dissident challenge and said the rebel group was led by "three out of work directors looking for work. They are an opportunistic bunch."

Mr Martyr's team includes Mr Simon Lynch, formerly with Grand Metropolitan; Mr Ronald Laden, former chairman of Quaker Oats (Europe); and Mr Simon Smith, a London solicitor.

Since announcing their challenge last month, the rebels have acquired 520,000 shares, 2 per cent of Harmony's capital.

Jupiter proposes CST board changes

By John Authers

Jupiter Tyndall, the fund management group, has proposed the appointment of three new directors for CST Emerging Asia Trust, which it manages and in which it holds a 29.9 per cent shareholding.

They are Mr John Craig, deputy chairman of Jupiter Tyndall, Mr Michael Heathcoat Amory, managing director of Jupiter Tyndall, and Mr James Roe, a director of Jupiter European Investment Trust.

If the new directors are appointed, Jupiter Tyndall intends to discuss proposals with the new board to cut the discount of the trust's market capitalisation to its net asset value.

Abbot's bid for Blystad cleared

The Takeover Panel yesterday cleared a bid by Abbot Holdings for Blystad Group of any breach of its code.

Three directors of Blystad, which is involved in oil services, had complained that there had been an arrangement between Abbot and the three Blystad brothers, who own 65 per cent of the target.

It was alleged that Abbot had agreed not to try to recover immediately a loan of about £2m to a company in which the Blystads were interested in return for their acceptance of the £7.5m paper bid.

An offer document is now expected. The directors who are not part of the Blystad family oppose the offer.

S Jerome £1.2m disposal

S JEROME & Sons (Holdings), the West Yorkshire-based textiles and electronics group, is selling CMR, a designer and installer of security, closed-circuit television and telecommunication systems, to Westinghouse, the US electronics group, for £1.2m cash.

The amount may be adjusted to take account of CMR's agreed net tangible assets. Westinghouse will assume performance guarantees amounting to £790,330 and will take on responsibility for CMR's bank overdraft up to a maximum of £3.3m.

For the year to December 31 CMR incurred a £330,000 pre-tax loss on turnover of £17.2m. Its net asset value at that date was £764,000.

Proceeds from the sale will be used to reduce Jerome's bank borrowings. Gearing will fall from 74 per cent to about 40 per cent.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alexon	int	3	Jan 4	3	-	10.6
Asda Property	int	0.65	Nov 5	0.65	-	2
Beckman (A)	fin	3.15	Jan 5	3.15	4.78	4.78
Cornwell Parker	fin	4	Nov 7	3.9	5.7	5.5
Densitron	int	0.4	Dec 7	nil	-	nil
Eleco	fin	1	Jan 8	2.3	3.3	4.6
Forte	int	2.75	Dec 7	2.75	-	9.91
Frogmore Estates	fin	11.6	Dec 1	10.6	15	13.8
Palmerston	fin	nil	-	0.1	0.5	1.75
Redland	int	8.25†	Dec 3	8.25	-	25
Time Products	int	2.75	Jan 8	2.65	-	7.5

Dividends shown pence per share net except where otherwise stated. †On increased capital.

OFT approves revision of Allied beer deal

By Philip Rawstorne

ALLIED-LYONS has secured approval from the Office of Fair Trading for a revised beer supply agreement with Pubmaster, the Brent Walker retail arm.

The original seven year supply contract, agreed in November last year, has been reduced to three years; the minimum amount of beer that Pubmaster is obliged to buy has been cut by about half to 100,000 barrels a year.

As a result of the revision, Sir Bryan Carsberg, the OFT's director general, confirmed that the 734 pubs which Allied has leased to Pubmaster would be considered free of tied beer supplies.

Because the original agreement required Pubmaster to buy half its beer from Allied, the OFT had previously refused to include the leased pubs among the 2,380 outlets which Allied has to free from the tie to meet the requirements of the government's beer orders.

Pubmaster will now be obliged to take no more than a quarter of its beer supplies from Allied, but with Allied's Tetley ale and Castlemaine lager being made available throughout Pubmaster's 1,983 pubs, it is expected to continue to buy well in excess of that amount.

Both Allied and Pubmaster may terminate the new agreement by giving nine months' notice any time after September 30 1995. If Allied ends the agreement, however, Pubmaster has an option to revert to the terms of the original supply agreement until 2002.

Mr Roy Moss, chairman of Allied's brewing division, said yesterday: "We are pleased to have settled matters with the OFT and we are confident that the deal will enable both parties to continue to operate effectively in the changing market place."

Mr John Brackenbury, chairman of Pubmaster, welcomed the deal as " an important precedent for the beer industry."

He added:" We wanted a supply agreement with Allied as part of our commitment to extending consumer choice. We are taking a wide range of ales and lagers from a cross-section of national and regional suppliers."

Inntrepreneur discusses disposal of 1,250 pubs

INNTREPRENEUR Estates, the Grand Metropolitan and Courage pubs joint venture, is discussing the sale of 1,250 pubs, worth an estimated £250m, with a number of potential buyers, writes Philip Rawstorne.

A management team from Inntrepreneur is understood to be one of the interested parties but no confirmation was forthcoming yesterday.

The pubs, which Inntrepreneur must free from tied beer supplies to meet government orders, may be sold as one block or in several large packages.

Tenants and lessees of the pubs likely to be affected have been informed, GrandMet said yesterday.

Following the sale, Inntrepreneur will be left with 4,350 pubs, taking their beer supplies from Courage.

Of its initial 7,350 pubs, 500 have already been sold, 700 leased free of tie, and 550 transferred to GrandMet's Chef & Brewer estate.

AAH bids I£24.9m for Cahill May Roberts

By Tim Coone in Dublin

THE BATTLE for market share in Ireland's I£300m (£320m) pharmaceutical distribution industry took a new turn yesterday, when AAH Holdings made a cash and shares offer for Cahill May Roberts Group.

The offer, on a 10-for-51 basis, is being recommended by CMRG's board and values Ireland's largest pharmaceutical wholesaler at I£24.9m, representing a 70 per cent premium over its last traded price of 55p on the Dublin USM.

There is a partial cash alternative of 87p a share.

By yesterday evening, a precondition of the offer, that directors of CMRG and their families, and Allied Combined Trust, which together hold 54 per cent of the ordinary share capital, accept irrevocably, had been met.

AAH is the UK's largest pharmaceutical wholesaler with annual turnover in excess of £1.3bn. It has wholesale and franchised retail activities in Northern Ireland.

The offer has been triggered by merger talks which began last month between United Drug, another pharmaceutical wholesaler in the Republic, and Alchem in Northern Ireland, which would result in a group with a combined turnover of I£110m. CMRG reported turnover of I£90m in 1991.

Mr Bill Pybus, AAH chairman, said: "We have been interested in CMRG for some time, but when United Drug decided to merge with Alchem we decided to go ahead with an offer."

Last year, United Drug was awarded the franchise for AAH's Vantage retail activity for the Republic, so its Alchem merger plan would put it into direct competition with AAH's own business in Northern Ireland. CMRG is now likely to take over the Vantage franchise in the Republic.

Cautious approach improves City's view

TI's £87m charge for Dowty was well within expectations, reports Richard Gourlay

IT TOOK some time to come and an attack of pessimism early this week knocked 10 per cent off the share price, but when TI finally released details yesterday of the provisions related to its June acquisition of aerospace group Dowty, the market heaved a huge sigh of relief.

Coming after rumours of up to £150m of provisions and TI's 1990 run-in with the City over acquisition accounting, the £87.1m figure was modest.

Even taking into account the £25m write-off on the closure of the Cognito paging business, taken in Dowty's last accounts, the provisions appear to be well within market expectations.

What is more, TI appears to have been scrupulous about keeping in line with the Accounting Standards Board guidelines of accepted practice – not surprisingly perhaps as Mr Michael Garner, the finance director, is on the ASB.

Having taken a long look at Dowty, TI has produced a remarkably detailed breakdown of the fair value adjustments.

"I have never seen that level of disclosure by a company," said Mr Sandy Morris, analyst at County NatWest. "TI has set the standard today."

TI's provisions fall into two parts – £49.7m of reorganisation costs and the balance covering asset value adjustments, changes in accounting policies and items such as investment in improving environmental controls.

It has also said that there will be no more provisions related to the Dowty acquisition – in 1990 TI was pilloried in the City for taking a "second bite" of provisions relating to acquisitions made in 1988.

The group has also said that it will use the provisions within two years and all items not required will be released directly back to the balance sheet and not pushed through the profit and loss account, thereby boosting earnings.

The biggest single item in the reorganisation is a £33.8m charge for rationalisation.

Some £6m of this will be used to reverse some of the recent diversification at Dowty's Singapore operations. The second phase of reorganising Dowty's Gloucester sites will cost £5m and another £7m is allocated to cover integration of TI's Crane, the engineering seals business, with Dowty's polymer division.

Also within the rationalisation category is a £4m charge for relocating the electronic systems business. And £6m has been set aside to cover the run-down of Dowty's group and divisional headquarters, its London headquarters and for the amalgamation of offices in Washington.

Another £7.7m covers financial reorganisation. This covers harmonisation of the two groups' taxes, integrating the treasury operations - including reversing currency and interest rate hedges and modifying bank facilities - and bringing Dowty's financial control systems up to what TI says is a superior standard. Some £8m will cover redundancies in Dowty's main board, at the headquarters and the closure of some group services.

Colin Beere

Chris Lewinton, chairman: no more provisions for Dowty

Many of the other fair value adjustments sprang from what TI describes as "less than conservative accounting." According to TI, Dowty had to do more than just avoid the negative impact of provisions on earnings. "They were up against banking covenants, so they had to have one eye out for net shareholders' funds as well," Mr Garner says.

Most controversial will be Dowty's loss-making contracts. Some £12m covers what TI believes will be losses on contracts over the next two years. TI says Dowty had been providing for losses only on those orders covering customers' immediate needs, a treatment that was insufficiently prudent.

TI is also taking a more conservative view of Dowty's stocks. It is writing off £6m of "surplus spares" which will be scrapped, but has left on the books any spares where there is a realistic expectation of a sale, however distant. There is also the write-off of certain receivables, bringing the current assets adjustment to £11.9m.

A further £4.1m comes under the category of "accounting polices" where TI and its auditors, Price Waterhouse, disagree with Dowty and Arthur Andersen over matters such as the period of depreciating assets like computers and when profits should be taken during the life of long-term contracts.

Mr Garner says that in some instances – in the Marine division, for example – Dowty was not even following its own policies on profit taking. Profits were booked the moment that material hit the shop floor.

Yesterday's announcement is notable on two counts. In the first place, analysts appear to believe that the £87.1m is both reasonable and within expectations.

But, by supplying such detailed explanation, TI may more importantly have laid the ghost of its fracas with the City over acquisition accounting.

TI now has a much clearer run at trying to prove what it has always believed to be the case; that it is building value in its business through good management rather than through clever accounting.

Asda sells sites and store to competitors for £57m

By John Thornhill

ASDA, the Leeds-based grocery retailer, has sold two development sites and one store to its competitors as part of an effort to reduce its £800m debt mountain.

Safeway paid £35m plus a development site in Huddersfield for two sites in north London and Edinburgh, while Sainsbury has acquired Asda's store in Mere Green, Birmingham for £22m.

The disposals appear to be a reversal of the company's previously-stated policy. When Mr Patrick Gillam took over as chairman last year he stressed that he would not sell the company's "seedcorn" sites to its rivals, in spite of its desperate need for cash.

Yesterday Asda emphasised that the deal was a one-off and said it had neither the "need nor the intention to sell other successful stores".

It added: "We were offered a very full price and it was clearly in shareholders' interests to sell them."

Although Asda has traded poorly in recent years there are indications that it is beginning to recover lost ground.

The company delivered an upbeat statement about current trading at its recent annual meeting and the company's share price has begun to pick up as analysts scent a recovery story.

"Their like-for-like sales are currently outperforming the industry average and are far better than expected," said Mr Philip Dorgan, food retailing analyst at Goldman Sachs, the investment bank.

This week the company opened its second Dales discount store at Tipton in the West Midlands and has also recently opened the first of a revised format Asda store concentrating on fresh foods at Stoke.

"We are modestly encouraged by the progress we have made so far as part of our three year recovery strategy," Asda said yesterday.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables

TODAY

Interims- Ash & Lacy, Billon, Carlisle, Clifford Foods, Dolphin Packaging, Intl Inv Trust, Martin (Albert), REA, Reed Executive, Scottish TV, Wilkes (James).

Finals- Adwest, Amstrad.

FUTURE DATES

Interims-	
Abbeycrest	Oct. 15
Bradford Property Trust	Oct. 27
Channel	Oct. 13
Edinburgh Inv Trust	Oct. 20
Hughes (TJ)	Oct. 15
Le Creuset	Oct. 20
Norweb	Dec. 1
Select Appointments	Oct. 7
UDO	Oct. 15
Finals-	
Attwoods	Oct. 16
Betterware	Nov. 9
Paramount	Oct. 12
Tay Homes	Oct. 12

NEWS DIGEST

Eleco halved to £1.58m

PRE-TAX PROFITS were halved at Eleco Holdings, the building contracts and contracting group, in the year to June 30.

The decline, from £3.35m to £1.58m, came on sales down from £56.8m to £45.2m.

The final dividend is reduced to 1p (2.3p), making 3.3p (4.6p) for the year, on earnings per share of 3.2p (7.3p).

An extraordinary charge of £5.94m mainly represented further losses on the closure of the property development division.

The company said conditions in the textile division continued to be difficult, but it remained profitable.

Stock levels, debtors and overheads continued to be controlled.

In the property division, the company's investment portfolio was almost fully let, with interest payable more than covered by rental income.

A revaluation of investment properties, coupled with the downward revaluation of assets, reduced the revaluation reserve to just under £2.7m.

Earnings per share emerged at 5.2p (6.4p). A same-again final dividend of 3.15p is recommended; maintaining the total at 4.75p.

Densitron returns to profit and dividends

Densitron International, the electronic components maker, returned to profits in the first half of 1992 and is rejoining to the dividend list with an interim of 0.4p.

The improved figures resulted from strong sales into Asia by the Japanese company and sharply reduced costs in Europe and the US, the company said.

On turnover lower at £23.4m (£24.5m) pre-tax profits were £370,000, against £401,000. There was a loss for the 1991 year of £377,000. Earnings per share were 0.8p (0.56p).

Beckman declines 18% to £903,000

Pre-tax profits at A Beckman fell by almost 18 per cent, from £1.1m to £903,000, in the year to June 30. Turnover slipped by £580,000 to £10.8m.

Anglo-Eastern jumps to £530,000

Anglo-Eastern Plantations, which has cocoa, oil palm and rubber plantation interests in Indonesia, lifted pre-tax profits from £106,000 to £530,000 in the six months to June 30. Turnover was £2.26m, compared with £1.3m.

The company said cocoa production had been about 10 per cent above and rubber production 10 per cent below budget. Average selling prices of palm oil improved significantly, while cocoa and rubber prices remained static.

Earnings per share improved to 1.4p (0.3p). An interim dividend of 0.375p has already been paid.

Malaya reduces losses to £160,000

Malaya Group, the loss-making Mercedes-Benz dealer which recently came under the control of Lancaster Associates Holdings, yesterday reported pre-tax losses of £160,000 for the first half of 1992.

Mr Keith Goldie-Morrison, chairman of the USM-quoted group, said the holding costs of its Billinghurst dealership and the recession had prevented any significant recovery from the £259,000 deficit last time.

Sales rose to £3.65m (£3.4m). Operating profit of £14,600 compared with losses of £50,000 and interest payable took £174,600 (£209,000).

Lancaster gained control of Malaya and injected £3m in new capital under a rights issue in August.

Lower oil prices leave Pict down

Lower oil prices left net profits at Pict Petroleum down 36 per cent in the year to June 30.

Profits were £2.96m (£4.63m) on lower turnover of £10.8m, against £12.5m. The result was helped by a turnround from net interest costs of £214,000 to income received of £536,000.

Earnings per share were 6.65p (12.56p) after taking account of last year's £12m rights issue.

Palmerston in loss after exceptionals

Pre-tax losses at Palmerston Holdings, the property investor, increased from £2.68m to £5.46m in the year to March 31.

The company blamed exceptional charges of £6.17m, relating to associate companies.

The charges included £4.22m relating to the company's share of the revaluation reserve deficits from associates. The final dividend is passed leaving the total at 0.5p (1.75p).

The company is to concentrate on expanding its residential portfolio and the retention of commercial property which provides secure long-term rental. As part of this strategy the investments in associates will be realised.

The continuing downturn in the commercial market resulted in net asset value falling over the year from 229p to 121p.

Before exceptionals there was a profit of £709,000 (£2.68m loss) helped by higher rents and charges of £9.57m (£8.7m) and a surplus on property disposals of £5.62m (£3.67m). Losses per share were 19.4p (12.4p).

Asda Property halved to £1.58m

Depressed residential sales, with lower volume and reduced margins, contributed to pre-tax profits being halved from £3.02m to £1.58m at Asda Property Holdings in the first half of 1992.

Turnover, which fell to £19.2m (£21.7m), mainly comprised £11.4m (£14.7m) in income from sales of trading properties and a 10 per cent increase in gross rental income to £7.12m (£6.49m).

Mr Emanuel Davidson, chairman, said the nature of the company's business would change materially following the disposal of most of its tenanted residential portfolio to the Bradford Property Trust in July. The £36m proceeds were used to reduce net borrowings.

Earnings per share worked through at 1.2p (3.4p) and the interim dividend is maintained at 0.65p.

Increased losses at Waverley Cameron

An inadequacy of working capital following a substantial reduction in its banking facilities was cited by Waverley Cameron as the reason for heavy trading losses in the year to end-March.

The net loss before tax of this office equipment and stationery group grew to £1.43m, against £617,000 last time. Turnover fell from £45.9m to £26.9m and losses per share increased from 1.56p to 2.82p. Again there is no dividend.

The company said that the withdrawal of its banking facilities had left it with no option other than to cease trading in its BTS subsidiary, which has since been placed in administrative receivership by its bank.

Also, in order to ensure continuation of facilities for the remainder of the group, Partners, its stationery retailing subsidiary, had been sold for £2.2m and RMG, which covered the office products side, was sold for about £2.9m. This disposal was largely responsible for an extraordinary charge of £5.15m.

Having completed these two disposals, the directors intend to concentrate on developing the group's building and property activities.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 01.10.92: Pool purchase price £/MWh	Prior Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.70	17.71	17.71
0100	17.70	17.71	17.71
0130	17.70	17.71	17.71
0200	17.70	17.69	17.69
0230	17.70	17.69	17.69
0300	17.70	17.69	17.69
0330	17.70	17.69	17.69
0400	17.70	17.69	17.69
0430	17.70	17.69	17.69
0500	17.70	17.69	17.69
0530	17.70	17.71	17.71
0600	17.69	17.71	17.71
0630	17.68	17.70	17.70
0700	21.25	21.61	24.52
0730	24.23	22.97	25.69
0800	25.84	23.62	26.53
0830	26.13	24.36	27.05
0900	26.13	24.61	27.50
0930	26.13	24.62	27.50
1000	28.00	24.63	27.52
1030	28.00	24.63	27.51
1100	26.13	24.64	27.50
1130	28.00	24.65	27.51
1200	28.00	24.66	27.52
1230	28.00	24.64	27.50
1300	26.03	24.67	27.32
1330	25.68	23.80	26.49
1400	25.68	23.62	26.47
1430	24.69	23.66	26.31
1500	24.23	23.66	26.31
1530	24.23	23.66	26.32
1600	24.23	20.03	20.03
1630	24.23	20.03	20.03
1700	24.23	25.27	27.95
1730	24.43	25.27	27.95
1800	24.43	25.27	27.97
1830	26.96	25.27	27.98
1900	28.02	23.30	25.96
1930	28.02	19.74	19.74
2000	28.02	22.00	22.00
2030	26.96	25.64	28.35
2100	24.23	25.88	29.60
2130	22.93	25.64	28.36
2200	22.62	24.12	26.81
2230	22.27	22.90	25.58
2300	21.67	21.26	23.90
2330	21.26	20.95	23.58
2400	20.27	20.71	23.34

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.58/MWh becomes 1.858p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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A rich vein that may be losing its lustre

Vanessa Houlder finds Anglo-French developer Paul Raingold upbeat about his latest Parisian venture

Mr Paul Raingold, one of the most prominent UK developers working in Paris, has so far lived up to his propitious name. But at a time when the Paris property market is gripped by recession, doubts are growing about his latest – and most ambitious – deal.

The deal, which was agreed in March 1991 and completed two weeks ago, involves one of the most expensive development sites in Europe – the former headquarters of oil company Esso in the heart of La Défense in the west of Paris. The consortium developing the scheme – in which Mr Mr Raingold's company, Générale Continentale Investissements (GCI), has a 6¼ per cent share – paid FFr1.808bn (£200m) for the site; a further FFr1.356bn (£150m) was paid to Epad, the local planning authority for La Défense, as a contribution towards local infrastructure.

The total cost of the plan to build a 190,000 sq m office complex is about £1bn. It will include two tower blocks of 700,000 sq ft each, shops, restaurants and a modern art museum. Work is due to start within the next six months with the demolition of the existing building.

Besides Générale Continentale, other investors in the scheme include property developers Interconstruction and Kaufman & Broad with an 8¾ per cent share; the balance is owned by eight of France's leading financial institutions, BNP, Indosuez, Crédit Agricole, CFF, Crédit National, Société Générale, Banque Worms and GAN.

The scheme has already provoked trepidation. "He [Mr Raingold] has hit gold in La Défense before. But I am nervous that he has gone too far this time," says one Paris agent. "The banks could lose millions."

RENTAL GROWTH(%)	Retail	Office	Industrial	All Properties
Year to Aug 92	-1.8	-14.2	-8.1	-7.5
Quarter to Aug 92	-0.7	-4.2	-2.3	-2.3
Month of Aug 92	-0.3	-1.6	-0.6	-0.8

Investment Property Databank

The agent's concerns are threefold. Does La Défense, where 2m sq ft out of a total of 25m sq ft of office space is already empty, need another 2m sq ft development? Is the scheme, which is designed to be built in a single phase, sufficiently flexible? Was the price paid for the site, agreed before the worst of the property downturn, excessive?

These doubts are not shared by the project's admirers. They point out that at least half the 2m sq ft of empty space in La Défense is in small areas scattered around old buildings. Moreover, La Défense's empty space may be absorbed and the market in general may have emerged from recession by the time the scheme comes onto the market in 1996. "The great advantage of the Esso project is its timing," says Mr Robert Lipscomb of Healey & Baker, the property advisers.

Mr Raingold does not claim to have tenants lined up, although he says that 20 per cent of space at the new site has been pre-sold to GAN, one of the scheme's backers.

He vigorously defends the acquistion. "It is a long-term deal and an exceptional site." He justifies the price paid for the site, insisting that it reflected the downturn in the Paris property market, which, he says, was already apparent in March 1991 when the deal was clinched. Critics dispute this, adding that the price was too high.

But most of all, Mr Raingold's confidence in the scheme stems from his belief in La Défense.

"La Défense is coming into another era," he says. Originally, La Défense was used for back offices, while headquarters remained in central Paris. "The quality of the early buildings left something to be desired," he says. Moreover, La Défense lacked prestige, adequate transport and proper shopping facilities. "Over 20 years, this has changed," he says.

Today La Défense is the headquarters of France's largest companies, with first-class communications, the architecturally-acclaimed Grande Arche and France's largest shopping centre. Mr Raingold argues that the scheme is significant because it is the first time that a building – the old Esso headquarters – in La Défense will have been demolished. "It is the begining of a trend," he says.

A model of the La Défense development and, inset, Paul Raingold

Mr Raingold's work in France began in the early 1970s, when he was managing director of English and Continental Investments. When one of English and Continental's owners sold up following the property collapse in the early 1970s, Mr Raingold set up GCI. Over the next few years while the French market was in the doldrums, GCI concentrated on troubleshooting for UK investors and property management.

In 1985, he returned to development, building an office project in the new town of Marne La Vallee, in partnership with Mobax Securities. But he really came to the public's attention in 1988, when a joint venture between GCI and Heron International invested in Les Collines, a high-profile scheme next to the La Défense arch. Like the Esso site, Les Collines attracted much publicity, because of its size and prominence and the involvement of foreign developers. The scheme was eventually judged a success and it was sold when the market was at its peak.

Another prominent scheme undertaken by GCI, together with GA, a construction company, is Roissypole, a business park at Charles de Gaulle airport. Mr Raingold grandly dubs this office scheme – in which tenants can see aircraft taxi past their window – "an aero-city". "It was the first of its kind," he said. Continental Square, the first phase of the Roissypole project comprises four buildings with a total area of 22,500 sq ft, half of which has been let to tenants including Air France.

Although he believes the French market will remain difficult for the next two years, he is optimistic about its future. "With the opening of the east, Europe's centre of gravity has moved," he says.

Despite his obvious attachment to Paris, Mr Raingold has not turned his back on the UK property market. Eighteen months ago, GCI opened an office in London to look for property investments.

There have been, he says, many similarities in the development of the two markets over the past 20 years. On occasion when the British have set a trend, the French have followed.

But it is the differences that are more striking, particularly in terms of planning and government intervention. In France, for example, tenants need to win official approval before taking on large amounts of new space; in Britain no such requirement is necessary.

At the same time, planning can be very restrictive in Paris – a policy that often benefits developers by curbing oversupply. "The French wanted to keep central Paris as a city where people live. They took enormous pains to respect the grey stone facades of the Haussmann buildings and not allow skyrise buildings to ruin city life in Paris," says Mr Raingold.

Living in Paris is an important ingredient in Mr Raingold's own assessment of his success. Other British companies with developments in the city came unstuck because they were based in the UK and delegated their overseas operations to junior staff. "The margin between success and failure is very narrow. If you are to be successful in a European market you need a proper structure. It is no use sending over a clerk, you need a heavyweight," he says.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION No. 009276 OF 1992
IN THE MATTER OF SEYEN GROUP PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 16th September, 1992 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the above named Company by £19,000,000. AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 14th day of October 1992. AND Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.
Dated this 2nd day of October 1992
Clifford Chance, 200 Aldersgate Street, London EC1A 4JJ. Ref: KO
Solicitors for the Company

POLSAX (PROJECTS) LIMITED
NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at the Leicester and County Chamber of Commerce, 4-6 New Street, Leicester on 13 October 1992 at 3.00 pm for the purposes mentioned in sections 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge at the offices of Cork Gully, Abacus House, 32 Friar Lane, Leicester, LE1 5RA between 10.00 am and 3.00 pm on 9 October 1992 and 12 October 1992.
DATED 21 September 1992
By Order of the Board S P Michalski, Director

THE INSOLVENCY ACT 1986
CHARLES WHITE & SON LIMITED
Company Number: 701057
(Formerly Chas White & Son Limited)
Nature of Business: Printers and Suppliers of Stationery and Office Equipment
Trade Classification: 15
Notice is hereby given, pursuant to S46(1) of the said Act, that on 25th September 1992 J B Stephenson ACA and P S Dunn FCA of 7 Kenrick Place, London W1H 3FF were appointed Joint Administrative Receivers of the above company by National Westminster Bank Plc.
J B Stephenson, Joint Administrative Receiver
Office Holder Number: 7245
Dated this 25th day of September 1992

IN THE MATTER OF
MY KINDA WINDY CITY LTD
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986
In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, was appointed Liquidator of the above Company by the Creditors on 29th September 1992.
Dated this 29th September 1992
Peter S Dunn FCA, Liquidator

ART GALLERIES

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JOBS: Consultants' survey confirms that UK organisations' executive-pay policies reflect the Gospel

Even non-lunatic fringes can blind

IT is time for an addition to be made to the standard dictionaries of English. True, most include the phrase "perk up" – defining it, for example, as "to make or become more cheerful, hopeful or lively". But in none of them can I find "perk down" which, as all too many people have learned this past year or two, means "to be brought back to earth with a bump".

Although spoken of lightly as *fringe* benefits, the perquisites executives receive are apt to have a profoundly anaesthetic effect on their perception of reality. The Jobs column owes the most striking example it knows of to 39-year-old reader Ed Hughes. Describing the effects of suddenly ceasing to be a managing director, he singles out the shattering realisation that "petrol is no longer 50p a gallon, as was the case the last time one bought it personally."

What might be some compensation to him and his luckless contemporaries, is the fact that things could have been worse. In Britain's pay-freezes of the 1970s, several companies extended the perks-supply to suits or dresses for spouses as well as executives, household furnishings, and boarding-school fees for children. Hence job loss might leave a once-proud couple shivering in their underwear, bereft of curtains to hide their shame from the neighbours, and picturing their kids awakening in the dormitory to find their suitcases standing packed beside their beds.

While those lunatic days may be gone, however, managers evidently still have a lot on the *fringe* to lose – at least in the United Kingdom. Moreover, the rule seems to be that the bigger they are, the harder they are prone to fall. That much is plain from the underlying table, which is drawn from the P-E International consultancy's latest survey of executive rewards in the UK.

Anyone who wants the full report, which contains a wealth of information and is priced at £350, should contact P-E's Michael Smith at Park House, Wick Rd, Egham, Surrey TW20 0HW; telephone 0784-434411, fax 0784 437828.

My extracts are limited to the survey's findings on the more common types of perks – although they exclude some apparently in growing vogue, such as free counselling on personal finances.

The table takes 13 salary-bands from £20,000-£25,000 upwards and shows the percentage of managers on the various perches of the pay pecking-order who enjoy each perk listed. The all-ranks figures at the bottom, comparing this year with 1987, refer to all executives covered by the survey, including those on salaries under £20,000 a year.

PERCENTAGE OF EXECUTIVES AT EACH PAY-LEVEL HAVING EACH OF THE FOLLOWING BENEFITS:

Salary band (£ a year)	Full use of company car %	Avge list price of car £	Free fuel %	Help with house-buying %	At least 5 weeks holiday %	Life assurance: Up to 3 x salary %	Life assurance: Over 3 x salary %	Free medical insurance %	Share-acquisition schemes: Exec. share option %	Share-acquisition schemes: Save as you earn %	Share-acquisition schemes: Profit sharing %	Loans at low interest %
20,000-25,000	60.8	13,440	28.7	2.3	75.2	52.3	33.9	68.4	4.3	10.8	9.5	6.6
25,000-30,000	79.1	14,334	36.1	2.3	79.6	53.3	35.6	79.5	7.1	18.5	16.6	6.1
30,000-35,000	90.7	16,142	48.0	4.4	82.5	47.8	45.0	85.7	16.6	26.3	19.6	7.8
35,000-40,000	95.7	17,531	55.7	4.6	86.2	42.2	51.5	89.4	26.8	33.3	17.6	9.0
40,000-45,000	98.7	18,748	62.3	3.6	88.7	34.1	59.6	93.9	34.8	40.8	18.0	11.3
45,000-50,000	98.8	19,450	62.0	8.4	86.6	37.7	56.8	93.0	44.1	40.9	25.8	11.6
50,000-60,000	98.5	21,661	65.5	11.8	88.6	28.6	65.9	94.1	47.8	40.6	24.5	13.8
60,000-70,000	99.6	23,803	69.5	14.0	89.3	26.7	70.4	94.7	51.9	41.2	21.8	11.1
70,000-80,000	100.0	24,556	78.1	13.3	89.0	18.8	80.5	96.1	47.7	31.3	15.6	7.0
80,000-90,000	100.0	26,748	76.3	15.8	85.6	14.5	81.6	98.7	68.4	48.7	30.3	13.2
90,000-100,000	100.0	27,283	73.9	15.2	87.0	8.7	80.4	100.0	67.4	56.5	21.7	15.2
100,000-120,000	100.0	30,764	70.7	12.1	82.8	6.9	89.7	100.0	67.2	48.3	25.9	13.8
Over 120,000	100.0	33,368	76.1	14.1	89.1	2.2	94.6	97.8	78.3	62.0	32.6	16.3
All ranks – 1992	80.1	–	46.5	5.0	80.9	42.8	47.2	80.8	22.5	26.2	16.5	8.7
All ranks – 1987	*79.8*	–	–	*9.9*	*78.4*	*52.7*	*41.4*	*76.4*	*21.2*	*27.1*	*16.0*	*7.9*

In general, the table surely again confirms that UK pay policies are guided by Matthew XXV:29, which starts: "...unto everyone that hath shall be given, and he shall have abundance"

Alas, amid the joys of profiting by said principle, it's too easily forgotten that the same verse ends: "but from him that hath not shall be taken away even that which he hath."

NOW to a job being offered by head-hunter Dudley Edmunds on behalf of the London arm of an international bank he may not identify. Accordingly, he promises to honour applicants' requests not to be named to the employer at this stage.

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Inquiries to Mr Edmunds at Westminster Associates International, 1-4 Warwick St, London W1R 5WB; tel 071-287 5788, fax 071-287 9986.

FINALLY today, to the puzzle printed last week which, as readers then in attendance may recall, consisted of decoding the following division sum:

```
        XX7XX
XXX ⟌ XXXXXXXX
       XXX
         XXX
         XXX
          XXXX
          XXXX
```

The copy-book answer, which several dozen of you have taken pains to show you arrived at, is:

```
        80709
124 ⟌ 10007916
       992
        879
        868
         1116
         1116
```

One independent spirit also did the trick using a divisor of 111, but it seems questionable whether that solution fits the form of the sum as it was set out.

Michael Dixon

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ACCOUNTANCY COLUMN

Open season on closing the expectations gap

Andrew Jack examines new studies which call for a radical shake-up within the auditing profession

IT MAY not look very threatening from the outside, with its plain cover and its bland binding, but the latest work published by the research board of the Institute of Chartered Accountants in England and Wales this week should be handled with care.

Hidden inside the plain red cover, the text of "The audit expectations gap in the UK"* by three academics is a ticking timebomb of revolutionary reform for the audit profession. An independent regulatory body should oversee the appointment, fee levels and practices of auditors of large companies, the authors say.

Auditors' responsibilities should be expanded beyond existing shareholders. And, in case that is not enough, their role should be expanded to include the detection of material fraud.

Such conclusions might have barely have generated a dismissive wave from the more cynical members of the profession if they had been new outpourings from the troublesome trio of "radical accountants", Messers Prem Sikka, Tony Puxty and Hugh Willmott. But the latest salvo comes instead from three other dons, adding new weight to calls for fundamental change, and funded by the institute's own auditing research foundation. They are Stuart Turley and Christopher Humphrey of the University of Manchester, and Peter Moizer from the University of Leeds.

It is to the credit of the institute that it was willing to fund and publish a report which can hardly be said to echo its own views. But the findings are hardly going down well for many in Moorgate Place, its London headquarters.

That is clear enough even from the press release which accompanies the book. Mr Henry Gold, technical director of the institute, is quoted as saying that the case for an independent regulator is not developed sufficiently in the report to be analysed. He also doubts whether the responsibility for detecting fraud could be effective.

The three authors begin by defining the so-called "expectations gap" – a phrase first used by the Cohen Commission in the US in 1974 – in a careful, neutral way: the gap between the service expected by non-auditors and that provided by auditors.

Soon, they are citing an all-too-familiar complaint from one firm. "We have been allowed to audit not from month to month but only once a year; having had too little time to make an exhaustive report; knowing that shareholders are generally impatient to get through the business; being paid a fee out of all proportion to the work done; and being aware that the voting power is in the absolute control of the board . . . [shareholders imagine] that auditors' certificates are proofs of all excellences and complete solvency and security."

That might well relate to any of the litany of corporate collapses of the last decade. In fact it was taken from an article written in 1883, referring to the financial scandal surrounding the City of Glasgow Bank in 1878.

The authors' point is that the idea of a perception gap – or many different gaps – between auditors and others has both a long history and parallels in many parts of the world. Yet the auditors' response over this time has been both highly defensive and relatively static, the authors argue.

Some firms have offered additional services such as specific fraud audits in compensation. But these have generally been services for management rather than for users of financial statements, and have served chiefly to deflect attention away from the potentially limited nature of current audit practice.

However, the most typical response has been to blame the ignorance of the public, and to try to educate them in the "true" purpose of the audit. A recent example is the Auditing Practices Board's proposals for an expanded audit statement – echoed in the Cadbury report – which clarifies the existing legal responsibilities of directors and auditors.

In the event of any change, critics and the profession in general will need to take far more seriously the question of who will foot the bill

Meanwhile, shareholder involvement in running companies has continued to decline over time, leaving directors with the effective power to hire and fire the auditors, raising considerable questions over auditors' independence.

At the same time, the concentration of the audit market into the hands of a small number of firms has intensified, and the firms themselves are being transformed from professional partnerships into fiercely-competitive, high turnover businesses.

Neither periodically rotating audit firms nor "quaranteening" audit from other services offered to the same client would free them from "the arbitrary patronage of company management", the authors say.

Recent changes to regulation have only dealt indirectly with the relationship between auditors and directors, while the process of auditing remains largely hidden from the vast majority of those who rely on the work of the firms.

They argue for an office for auditing to oversee appointments and fees for large companies with a clear public investigatory mandate. They say that auditors' duty of care should be extended to cover both existing and potential shareholders and creditors, rather than simply existing shareholders, as the Caparo judgment in the House of Lords ruled.

Finally, the authors say that the real issue in the expectations gap is that the public expects auditors to detect all serious fraud. That same expectation has been as recurrent over the years as auditors' attempts to downplay it.

It is welcome to see an academic paper drawing frequently on popular articles – including those in the Financial Times and Accountancy Age – alongside more dusty journals and books as part of its thesis.

One sad omission is of any critique or even reference to the work of their rival radicals, led by Prem Sikka of the former East London Polytechnic. The latest of their many works on the expectations gap was published by the Chartered Association of Certified Accountants this June**.

Wrapped in rather more sociological jargon, these authors make many similar points, and argue that the expectation that auditors should detect material fraud has been recognised and debated quite publicly many times in the past and rejected. They suggest that auditors should actively attempt to detect fraud, and that their responsibilities should be explicitly laid down in law.

There is also a more fundamental problem in the report by Humphrey, Moizer and Turley, however. There is a strong leap of logic from the empirical analysis of perceptions of the role of auditors – which represents the bulk of their first-hand research – to the recommendations with which they conclude.

The fact that groups of individuals – including financial journalists and bankers – perceive that auditors are not doing enough and that their role should change, does not necessarily justify such changes. Neither of these groups pays for the work of auditors.

If such a change is going to take place, the authors – or indeed the accounting profession – need to take far more seriously the question of both how much it will cost and who will foot the bill.

**The audit expectations gap. Research Board, ICAEW, PO Box 433, Moorgate Place, London EC2P 2BJ. £10.*
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COMMODITIES AND AGRICULTURE

Coffee prices up after pact talks

By David Blackwell

WORLD COFFEE prices rose yesterday following marathon talks on a new International Coffee Agreement, which ran through the night to end at 7 am yesterday.

Delegates to the International Coffee Organisation appear to have succeeded in wiping out the bitter aftertaste of their last meeting in July. Progress towards a new coffee pact has been exceedingly slow, but enough has been achieved in the past 10 days to reassure the markets, analysts believe.

Producers and consumers have agreed a definition of the universal quota, which will be the foundation of a future pact using export quotas to support prices. But they failed to reach definitive agreement on controlling the quota system or on selectivity – under which consumers would be able to choose the type of coffees they wanted to import. The two sides were able to agree only on the broad principles.

In London yesterday the November robusta contract rose $16 to $794 a tonne, and in late trading in New York the December arabica contract was 1.15 cents up at 56.85 cents a lb. One London trader said yesterday the more positive close to the ICO talks had helped market sentiment, "but whether there will be a new agreement I still have grave doubts".

Ms Judith Ganes, analyst with Merrill Lynch in New York, said great strides were not made by the ICO, but it had accomplished something. "At least they didn't strangle each other like they did in July."

The markets are also responding to the firmness of the internal coffee market in Brazil, which could herald a downturn in exports, and there is talk of an attempt by a large trade house to spark technical buying and short covering.

The ICO will meet again from November 23 to December 1, and it has left open the possibility for a further meeting from December 9. Delegates now have a chance of agreeing a new pact by the end of the year. But they have yet to broach the potentially divisive subjects of price levels and market share.

Polish copper deal signed

By Christopher Bobinski in Warsaw

UNIONS AT KGHM, Poland's copper producing combine yesterday signed a wage agreement granting an increase of nearly 30 per cent from the beginning of next month.

The deal, which follows of a five-week strike in the summer, grants the unions most of their demands. The stoppage was suspended in August to give the authorities time to modify wage control legislation and wage controls have now been eased for exporters.

Mr Andrzej Machalski, a member of the KGHM board, said yesterday that the combine, which employs nearly 40,000 people, could not be modernised without foreign capital. He added, however, that talks with foreign investors could not start until next year, when the combine will have been restructured.

Mr Machalski confirmed that the Western Mining Corporation of Australia had offered to invest US$500m in the enterprise. Asarco, the US metals producer has also offered to manage the company for three years before making a capital investment offer.

India offers oil and gas fields for development

By Shiraz Sidhva in New Delhi

THE INDIAN government yesterday announced its decision to offer 43 oil and gas fields to private companies for development as part of its privatisation programme.

The offer to privatise 12 medium-sized and 31 small oilfields is part of the government's policy to involve private investment, particularly direct foreign investment, in the hydrocarbon sector, to supplement the inadequate resources of the government-owned Oil and Natural Gas Commission and Oil India.

Foreign oil exploration companies would get income tax relief and would be levied 50 per cent income tax without surcharge, as opposed to 65 per cent in other lines of business.

The package offers discovered oil and gas fields for development and areas for exploration on a continuous basis, as well as incentives to private companies to participate in joint ventures for the setting up of new refineries.

Recycled aluminium contract looks like a winner

Kenneth Gooding on the launch next week of the London Metal Exchange's latest trading product

TRADERS ARE already making money from the London Metal Exchange's new secondary (or recycled) aluminium alloy contract even though it will not be launched officially until next Tuesday.

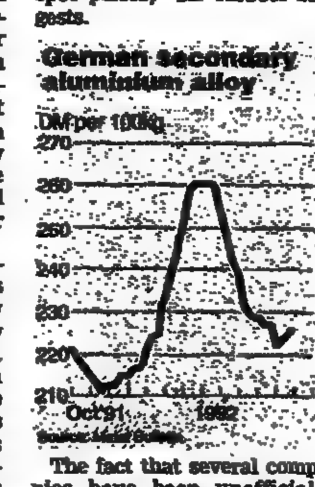
"Interest is very high. We have traded many thousands of tonnes," says Mr Hans Murmann, joint managing director of Metallgesellschaft's London subsidiary. "It seems the contract is coming at the right time. Secondary aluminium smelters are losing money because of the poor state of the economy and they are pleased to let the LME have metal for ready cash."

Smelters were always expected to be the new contract's best hope of success. They buy scrap metal and have to pay for it by the end of the month. They sell their aluminium alloy (which contains some copper or zinc) to consumers who should pay within 60 days but in present economic conditions frequently keep suppliers waiting for 90 days.

The new LME contract enables the smelters to hedge against movements in both aluminium scrap and secondary aluminium alloy prices. They can lock in firm future prices for both.

Mr Martin Abbott, the LME's director of marketing, suggests that this is one of the new contract's main attractions. The LME's primary aluminium contract cannot meet this need because primary and secondary aluminium prices sometimes move in opposite directions, making hedging of secondary metal on the primary market impossible.

Until now, because there was no way of securing forward prices for scrap sales, merchants tended to release aluminium scrap when prices were high and hoard it when prices were low. "This creates an apparent boom-bust-boom cycle in scrap supply which is actually driven not by the availability of scrap but by spot prices," Mr Abbott suggests.



The fact that several companies have been unofficially trading the new contract well before the launch date is not the only indication that the LME might have a winner on its hands. Already 47 alloy brands have been registered by producers, between them accounting for about 2m tonnes of material.

The brands are based on three grades that represent the basic – or in the words of one trader, the "bog standard" – diecasting alloy specifications in Japan, Europe and the US, the three main consuming regions. Although the three chosen grades vary slightly, they are designed for the same function – automotive diecasting – and consequently in practice there is little difference in their prices.

All this is a far cry from the situation when the LME launched its primary aluminium and nickel contracts in 1978 and 1979 respectively. Then there was fierce opposition because alternative pricing systems were in place and the industries were nervous about speculators and financial institutions possibly disrupting the market.

It took years for aluminium and nickel producers who opposed the contracts to be won over. They certainly did not offer their brands for registration. The LME simply gave its approval to suitable brands even though they were not offered.

But the launch of the secondary aluminium alloy contract has not been all plain sailing. "It would be wrong to say that the launch of the new contract was accepted with enthusiasm in all circles," Mr Abbott admits. "However, the general tone of response from the industry has been constructive."

There were times when the opposition was openly hostile. One US alloy producer said: "It will open the market up to speculators and gamblers which is not in our best interests. It's just a move by the LME to try to sell more products and there is no real industry need and very limited support for it".

The Organisation of European Aluminium Smelters and the Japan Aluminium Alloy Refiners Association formally condemned the idea on several occasions. Yet individual members of these organisations are now flocking to have their brands registered for trading on the new LME market.

That is understandable, according to Mr Hajime Myoi, director of the Japan Metal Centre in London. "It's as if someone wants to build a pub next to your house. You fight hard to prevent the pub being built, but when it has been built you become a regular customer."

The LME has already authorised 12 warehouses to store the secondary aluminium alloy in France, Germany, Italy, the Netherlands, the UK and the US.

It is listing only warehouses that have available, where necessary, temperature and humidity control equipment, which can be used to reduce the onset of oxidation of the metal.

This continues to be a contentious issue. Some suggest the alloy oxidises in a few days. Others insist it is not a problem. Metallgesellschaft's Mr Murmann says, for example: "I saw some 226 which, for a good reason, had been in a warehouse in Germany for six years and it was like new."

Mr Abbott at the LME points out that the same aluminium alloy that is accepted by the LME is used for such things as car engine blocks. He says: "These blocks seem to last for the whole life of a car without any particular protection," he says.

However, there is a problem because an alloy ingot that has an oxide layer may contain moisture in the oxide and this moisture would cause an explosion if it was introduced to the remelt furnace at a diecaster's plant. He adds: "The problem, is not one of quality but of handling. The diecaster taking delivery of ingot with oxidation will have to dry the material prior to melting. This is usually done by stacking the ingot next to the furnace before melting."

Mr Abbott says there were three important criteria which were used to determine whether the new contract was needed:

- There had to be good liquidity, a small-volume commodity could not be considered.
- The market had to have the support of participants – both producers and consumers.
- There had to be a need in the market for a representative price and the industry had to be exposed to risk, have the need to control the risk and therefore a need for hedging.

The LME insists that all its contracts must be deliverable – in other words it must be assumed that physical metal will be delivered – and the secondary aluminium contract is no different. However, the new contract meets the volume criterion because, as Mr Abbott points out, there is about 4m tonnes of scrap required to make about 4.5m tonnes of alloy. That compares with about 7m tonnes of scrap and primary copper that underpins the LME's "flagship" copper contract.

Mr Abbott expects the new contract to be used by the automotive industry as well as smelters. Diecasters, who buy aluminium ingot from the smelters and turn it into components for the car industry, are less likely to be users. They tend to be small companies and the contract calls for deals to be done in substantial (20-tonne) lots.

Some traders suggest the new contract will have a profound impact on secondary aluminium alloy prices and the way aluminium castings are priced. They suggest that the Japanese and German secondary aluminium producers are hostile to the contract because it threatens the price cartels alleged to exist in those countries.

The Japan Aluminium Alloy Association sees things differently and explains that, unlike secondary smelters in the UK and elsewhere, Japanese producers have customers lined up for all their production on a long-term basis. None of it gets to the free market.

In the UK, diecasters are said routinely to buy metal at a £150 a tonne discount to the price quoted in Metal Bulletin magazine, which is used industry-wide, but then to charge the full MB price to their automotive industry customers.

Mr Ken Lee, secretary of the UK Light Metal Founders Association, points out that the LME price will be for an LME-deliverable material in an LME warehouse, a material which is not of British but of German standard and is for one type of alloy for one type of process. However, a whole range of alloys is used in the UK and a whole range of processes; and the more special the metal required, the bigger the premium which has to be paid. "So the LME price will only be a marker."

Nevertheless, Mr David Harris, secretary-general of the UK Aluminium Federation, suggests: "This is a major watershed for the pricing of aluminium ingot and castings. And if it makes aluminium castings more competitive with other materials, it is to the industry's advantage".

Raising jute from the ashes of the sackcloth industry

David Blackwell on efforts to revive demand in the face of fierce competition from synthetic materials

DUNDEE IN Scotland earned the sobriquet Jute City in the 19th century for its pre-eminence in processing the material. However, it is to Manchester in England that the International Jute Organisation has turned in a bid to revitalise the industry.

The British Textile Technology Group, a research-based company, has just completed the first part of a $200,000 programme to find new markets for jute, which has most commonly been woven into sacking. Jute has been steadily losing its traditional markets to synthetic materials such as polypropylene for years. Since 1965 total world imports of jute have fallen from 1.4m tonnes to less than 950,000 tonnes.

But the crop, which needs lots of water, remains important to the five countries which produce it – India, Nepal, China, Thailand and particularly Bangladesh, which accounts for 55 per cent of world exports. The Bangladeshis rely on jute for 10 per cent of jobs and the crop accounts for 7 per cent of GDP. In addition the stems account for 70 per cent of the fuel used by peasant families.

The conventional textile route for processing jute uses carding and spinning to reach a spun yarn. But this is a crude process for jute, which has fibres up to two metres long and produces a yarn of great inconsistency in thickness and strength.

BTTG decided to look instead at non-woven fibres. The classic example is felt, made from cross-layered wool which is then consolidated into fabric. The non-woven fabrics market is large and growing at a time when the textile market in general has been in recession.

Mr Alfred King, executive director of BTTG, points out that the processing for non-wovens is a very cheap way of transforming fibre into fabric. Developments in processing have brought new markets into being, such as disposable nappies and medical goods.

BTTG has been able to create several jute-based non-woven fabrics of different strengths by chopping the jute fibre into 5-centimetre lengths and combining it with at least 15 per cent and up to 30 per cent of man-made fibres. One method involves passing the layered raw material through heated rollers; the man-made fibre melts and reforms as it cools, binding the fabric together.

Another, cheaper method is stitch-bonding, where lines of stitching are run both across and along a layered mat of fibre.

Tests have shown that the resulting materials are unsuitable for disposable nappies and medical goods as it is both uncomfortable and expensive to bleach. But Mr King believes there are many other markets for the jute-based products, which can easily be coated and impregnated.

Among others, BTTG has identified the markets for filtration systems, fabric stiffeners (e.g. in luggage), agriculture and horticulture, and automotive trimming, where jute based products are ideal for deadening sound.

Mr King's team is looking again at traditional markets for jute, such as upholstery, floor covering, and secondary carpet backing. BTTG is also proposing jute material for civil engineering projects, for example as temporary strengthening for earth embankments. "You don't have to recover it – it's absorbed by the soil," says Mr King.

BTTG now has funding from the UN Common Fund for Commodities and the Japanese government to continue its research to the end of September next year. "We are now refining the processing and looking to have the materials tried out as products," says Mr King. He is hoping that the technologies involved will be passed on to the jute producing countries. "Ultimately we hope they will produce these materials themselves rather than exporting just the fibre."

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER was again depressed on the LME by dull fundamentals and rising inventories. Comex stocks are at five-year highs while the LME stockpile is at its highest since April. Talk of Chinese selling and liquidation also weighed on prices. Three-month copper breached support at $2,340 a tonne and eventually ended at $2,325, down $25. The next downside target is $2,320, dealers said. **ZINC** was supported by renewed technical tightness for November metal, with widening premiums helping to arrest an early decline. The premium for cash over three-month metal ended at around $25, compared with $12 on Wednesday and last week's small discount. **ALUMINIUM** continued this week's decline, but closed above the day's lows, with support for three-month metal developing at $1,260 a tonne. **GOLD** recovered earlier losses to close steady on the London bullion market. But activity was generally subdued ahead of today's key US jobs data, which might trigger a cut in US rates. **PALLADIUM** extended its rally, fixing at $97.25 a troy ounce. It has advanced $6 in the past week to its highest in over a year on tight supply of Russian spot metal.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Nov)		+ or -
Dubai	$18.25-8.35z	+.025
Brent Blend (dated)	$20.25-0.35	+0.15
Brent Blend (Nov)	$20.40-0.50	+0.15
W.T.I (1 pm est)	$21.80-1.85z	+.175
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$218-220	+1
Gas Oil	$192-193	+1
Heavy Fuel Oil	$98-100	+1
Naphtha	$181-182	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$348.25	-0.6
Silver (per troy oz)♣	375.50c	
Platinum (per troy oz)	$368.00	-1.4
Palladium (per troy oz)	$97.25	+2
Copper (US Producer)	109.0c	
Lead (US Producer)	37.8c	-0.05
Tin (Kuala Lumpur market)	15.70r	+0.8
Tin (New York)	296.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	107.70p	-0.21*
Sheep (live weight)†♣	73.54p	+3.15*
Pigs (live weight)†	74.91p	-3.83*
London daily sugar (raw)	$225.0w	-0.4
London daily sugar (white)	$260.0w	
Tate and Lyle export price	£236.0	-1.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£141.5	
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	56.25p	+0.5
Rubber (Dec)♥	56.00p	+0.5
Rubber (KL RSS No 1 Oct)	221.0m	+0.5
Coconut oil (Philippines)§	$485.0y	
Palm Oil (Malaysian)§	$365.0y	
Copra (Philippines)§	$312.5	-2.5
Soyabeans (US)	£141.5w	+0.5
Cotton "A" index	54.05c	
Wooltops (64s Super)	398p	-10

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Oct/Dec w-Sep/Oct y-Nov/Dec u-Oct. z-Nov †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Dec	194.00	194.00	193.40	
Mar	194.00	194.00	193.00	
May	197.00	197.00	196.00	
White	Close	Previous	High/Low	
Dec	256.50	254.00	255.50	254.00
Mar	257.50	254.50	257.00	255.00

Turnover: Raw 26 (45)lots of 50 tonnes. White 274 (523) Paris- White (FFr per tonne): Dec 1243.86 Mar 1279.22

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Nov	20.44	20.34	20.47	20.36
Dec	20.49	20.38	20.50	20.39
Jan	20.42	20.33	20.45	20.36
Feb	20.31	20.25	20.31	20.31
Mar	20.18	20.10	20.18	20.18
Apr	20.07	19.99	20.10	20.05
Jun	19.87		19.90	19.87
IPE index	20.28	20.34		

Turnover 15865 (23159)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Oct	190.00	189.50	190.00	189.00
Nov	194.00	191.75	194.00	192.75
Dec	196.75	194.00	197.00	194.75
Jan	196.75	194.25	197.00	195.50
Feb	193.00	191.25	193.75	192.75
Mar	187.25	185.50	187.50	187.00
Apr	182.75	180.75	183.75	182.75
May	180.25	178.50	180.60	180.25
Jun	179.00	177.75	179.50	179.00

Turnover 10399 (11325) lots of 100 tonnes

FRUIT & VEGETABLES
English Cox apples are this weeks best fruit buy at 40-50p a lb reports the FFVIB, other good apple buys include English Laxton at 35-40p a lb. English Russet 40-55p a lb and French Golden Delicious at 29-35p a lb. Kiwifruit is priced at 16-20p each. Brussels sprouts at 30-35p a lb, carrots at 15-20p a lb, potatoes at 8-12p a lb are all good vegetable buys. Primo and Savoy cabbage at 20-25p a lb is superb quality this week. Large white heads of celery are great value for money at 35-45p a head. Other good salad buys include tomatoes at 45-55p a lb, round lettuce at 20-30p each and iceberg lettuce at 55-65p each.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Dec	666	660	668	657
Mar	693	679	695	686
May	708	696	713	707
Jul	726	716	730	721
Sep	742	734	745	740
Dec	770	760	772	768
Mar	797	787	797	795
May	814		812	808
Sep	[illegible]		842	

Turnover: 5967 (6956) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 30 753.40 (747.42) 10 day average for Oct 1 746.88 (753.19)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Nov	794	778	804	785
Jan	812	796	813	805
Mar	827	805	832	817
May	835	809	830	815
Jul	839	819	840	827

Turnover:2848 (4168) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 30: Comp. daily 47.82 (47.10) 15 day average 47.21 (47.06)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	62.0	61.0	62.0	61.1

Turnover 25 (42) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Oct	130.00	130.50	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Oct	1115	1110	1115	1100
Nov	1135	1136	1135	1124
Jan	1170	1170	1170	1160
Apr	1215	1215	1215	1215
Jul	1105	1095	1105	1100
Oct	1295	1290	1295	1275
Jan	1320	1320	1320	1315
BFI	1034	1041	1034	

Turnover 174 (215)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Nov	119.90	119.50	120.00	119.60
Jan	122.85	122.70	122.95	122.75
Mar	126.05	125.60	126.05	125.75
May	128.60	128.55	128.60	128.50
Barley	Close	Previous	High/Low	
Nov	117.75	116.00	117.75	117.25
Jan	121.60	120.90	121.60	
Mar	124.50	123.85	124.50	124.20
May	126.50		126.60	126.30

Turnover: Wheat 213 (217), Barley 58 (174). Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg		
	Close	Previous	High/Low	
Oct	100.0	100.5	101.0	99.5
Nov	100.0	102.0	101.0	100.0
Feb	97.5	97.5	97.0	

Turnover:19 (32) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 35,525 lots
Cash	1239-40	1247-48	1235/1235	1235-35.5		
3 months	1263-64	1271.5-72	1270/1258	1258-58.5	1262-63	179,801 lots
Copper, Grade A (£ per tonne)						Total daily turnover 38,830 lots
Cash	1319-20	1308-09	1322/1313	1313-14		
3 months	1350-51	1339.5-40	1355.5/1343	1345.5-46	1355.5-56	162,136 lots
Lead (£ per tonne)						Total daily turnover 3,389 lots
Cash	336-37	330-31	336	336-37		
3 months	345-8.5	343-3.5	350/346	348-49	349-50	25,477 lots
Nickel ($ per tonne)						Total daily turnover 4,874 lots
Cash	6650-60	6690-700	6655	6655-60		
3 months	6765-70	6770-75	6770/6740	6745-65	6765-70	25,553 lots
Tin ($ per tonne)						Total daily turnover 1,744 lots
Cash	6400-05	6365-70		6390-400		
3 months	6465-70	6430-35	6480/6460	6455-60	6475-80	11,317 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 13,670 lots
Cash	1329-31	1314-16	1318.5/1318	1318-18.5		
3 months	1305-06	1302-03	1314/1289	1304.5-05	1303-04	81,952 lots

LME Closing US$ rate:
SPOT: 1.7285 3 months: 1.7127 6 months: 1.6946 9 months: 1.6782

LONDON BULLION MARKET (Prices supplied by N M Rothschild)				
Gold (troy oz)	$ price		£ equivalent	
Close	348.10-348.40			
Opening	348.40-348.80			
Morning fix	347.80		197.781	
Afternoon fix	348.55		198.717	
Day's high	348.60-348.90			
Day's low	347.50-347.80			
Loco Ldn Mean Gold Lending Rates (Vs US$)				
1 month	1.94	6 months	2.05	
2 months	1.98	12 months	2.13	
3 months	2.00			
Silver fix	p/troy oz		US cts equiv	
Spot	213.50		378.25	
3 months	218.15		378.00	
6 months	222.65		381.15	
12 months	231.05		387.25	
GOLD COINS				
	$ price		£ equivalent	
Krugerrand	348.00-351.00		199.00-200.00	
Maple leaf	358.85-361.35		-	
New Sovereign	84.00-86.00		48.00-49.00	

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1250	4	36	9	20
1300	3	16	55	47
1350	5	4	105	85
Copper (Grade A)	Calls		Puts	
2300	3	41	41	84
2400	3	24	80	96
2450	5	13	139	134
Coffee	Nov	Jan	Nov	Jan
750	50	78	6	19
800	19	47	25	35
850	5	27	61	65
Cocoa	Dec	Mar	Dec	Mar
625	52	87	12	19
650	36	70	21	27
675	24	58	34	38
Brent Crude	Nov	Dec	Nov	Dec
2000			7	79
2050	18	40	24	46
2100	5	21	61	74

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Oct	347.5	347.8	348.2	347.3
Nov	348.2	348.5	0	0
Dec	349.1	349.4	350.1	348.8
Feb	350.5	350.8	350.9	350.3
Apr	351.8	352.1	352.5	351.9
Jun	353.2	353.5	353.1	353.0
Aug	354.7	355.0	0	0
Oct	356.3	356.6	0	0
Dec	358.0	358.3	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	368.5	370.9	371.0	368.0
Jan	363.2	366.4	366.0	363.0
Apr	363.5	364.9	[illegible]	363.5
Oct	365.0	367.5	365.0	365.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Oct	371.4	373.9	0	0
Nov	372.1	374.6	0	0
Dec	373.7	376.2	377.0	373.5
Jan	374.9	377.4	0	0
Mar	377.1	379.7	380.0	377.0
May	379.5	382.1	382.0	382.0
Jul	381.5	384.4	382.0	382.0
Sep	383.9	386.9	0	0
Dec	387.7	390.9	390.0	388.0
Jan	388.8	392.1	390.0	389.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	102.35	103.80	102.75	102.20
Nov	102.85	104.30	103.50	102.75
Dec	103.30	104.75	104.00	103.05
Jan	103.70	105.05	104.00	103.95
Feb	103.95	105.30	104.75	104.00
Mar	104.20	105.50	104.80	104.05
Apr	104.35	105.60	105.00	105.00
May	104.50	105.50	105.00	104.60
Jun	104.65	105.50	105.00	105.00
Jul	104.80	105.50	105.10	105.00

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	56.70	55.70	57.60	56.00
Mar	57.95	57.10	59.10	57.60
May	61.30	60.85	62.25	60.70
Jul	62.70	62.00	63.75	62.20
Sep	64.05	63.05	65.00	63.25
Dec	66.00	65.25	67.75	66.00
Mar	68.25	0	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Nov	21.82	21.71	21.88	21.76
Dec	21.73	21.63	21.80	21.69
Jan	21.68	21.57	21.72	21.63
Feb	21.54	21.46	21.60	21.52
Mar	21.46	21.34	21.47	21.39
Apr	21.34	21.22	21.35	21.28
May	21.21	21.11	21.21	21.17
Jun	21.10	21.01	21.13	21.07
Jul	21.01	20.92	21.04	20.96
Aug	20.86	20.84	20.96	20.91

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Nov	63.90	63.62	64.20	63.55
Dec	64.65	64.29	64.90	64.55
Jan	64.95	64.57	65.20	64.85
Feb	63.85	63.69	64.15	63.90
Mar	61.50	61.29	61.65	61.40
Apr	59.50	59.24	59.55	59.30
May	58.05	57.74	58.05	57.70
Jun	56.95	56.74	57.10	56.80
Jul	56.80	56.49	56.85	56.85
Aug	57.10	56.99	57.20	57.20

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1013	1009	1017	1000
Mar	1055	1050	1065	1056
May	1092	1092	1097	1092
Jul	1123	1123	1125	1122
Sep	1154	1154	1154	1150
Dec	1185	1185	1190	1190
Mar	1226	1226	1226	1222
May	1251	1251	0	0
Jul	1266	1266	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.80	8.71	8.81	8.74
May	8.85	8.76	8.86	8.80
Jul	8.86	8.79	8.86	[illegible]
Oct	8.84	8.76	0	0
Mar	8.85	0	[illegible]	8.86

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	56.40	55.35	56.50	55.00
Dec	53.08	52.36	53.20	52.05
Mar	53.82	53.22	53.95	53.00
May	54.42	53.74	54.50	53.55
Jul	55.05	54.45	55.20	54.30
Oct	55.55	56.25	55.25	55.25
Dec	56.13	55.50	56.30	55.75
Mar	56.50	56.15	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	108.40	106.55	108.40	106.30
Jan	108.50	107.10	108.50	107.10
Mar	109.15	108.50	109.30	108.30
May	110.60	110.00	111.25	110.05
Jul	110.25	110.00	0	0
Sep	110.05	109.40	0	0
Nov	110.05	109.40	0	0
Jan	110.05	109.40	0	0
Mar	110.05	0	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Oct.1	Sep.30	mnth ago	yr ago
	1558.6	1560.1	1514.0	1604.7
DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep.30	Sep.29	mnth ago	yr ago
Spot	115.69	115.91	116.28	118.75
Futures	114.72	114.34	115.65	123.26

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	532/4	540/6	538/4	532/0
Jan	539/4	547/4	545/6	539/2
Mar	546/6	554/6	553/0	545/4
May	554/2	561/6	560/4	554/0
Jul	561/2	566/6	568/0	561/0
Aug	563/2	570/0	570/0	563/2
Sep	563/6	568/0	566/0	563/6
Nov	569/0	573/6	573/0	569/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Oct	18.37	18.66	18.63	18.35
Dec	18.62	18.94	18.88	18.61
Jan	18.80	19.11	19.02	18.78
Mar	19.05	19.33	19.29	19.04
May	19.31	19.57	19.54	19.30
Jul	19.56	19.82	19.78	19.56
Aug	19.67	19.90	19.85	19.67
Sep	19.78	19.96	19.85	19.78

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Oct	183.8	185.9	186.0	183.7
Dec	183.6	185.7	185.8	183.6
Jan	184.0	185.5	185.5	183.8
Mar	183.9	185.5	185.5	183.8
May	184.2	185.6	185.8	184.1
Jul	185.5	186.8	186.5	185.7
Aug	186.5	187.4	187.0	186.4
Sep	187.5	188.2	188.5	187.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	213/6	215/2	214/4	213/2
Mar	222/4	224/2	223/4	222/2
May	228/6	230/2	229/2	228/0
Jul	233/0	234/2	233/4	232/2
Sep	234/4	235/4	235/0	234/2
Dec	237/4	238/2	237/6	236/6
Mar	244/0	245/0	244/0	243/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	349/4	350/2	354/0	345/0
Mar	350/0	349/6	352/4	345/6
May	340/4	339/0	341/4	335/4
Jul	320/2	318/2	320/4	315/2
Sep	326/0	323/4	326/0	323/0
Dec	336/0	334/0	338/0	334/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	75.750	75.300	75.875	75.300
Dec	73.975	73.650	74.000	73.450
Feb	72.050	71.600	72.150	71.700
Apr	72.900	72.650	72.950	72.500
Jun	69.900	69.700	69.900	69.600
Aug	68.825	68.275	68.550	68.150
Oct	68.550	68.425	68.600	68.350

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	42.775	42.325	42.850	41.950
Dec	43.675	42.875	43.750	42.300
Feb	42.350	41.825	42.600	41.000
Apr	40.350	40.175	40.475	39.200
Jun	45.250	45.475	45.500	44.450
Jul	44.850	44.800	44.950	44.600
Aug	43.675	44.500	43.900	43.450
Oct	40.600	40.800	40.600	40.300

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	39.900	39.025	40.000	37.600
Mar	39.575	38.800	39.700	37.400
May	41.050	40.350	41.200	38.800
Jul	41.200	40.450	41.200	39.000
Aug	39.400	39.300	39.750	38.250

LONDON STOCK EXCHANGE

Equities brush aside currency factors

By Terry Byland,
UK Stock Market Editor

UK STOCKS held up well yesterday in the face of the acrimonious dispute between the British and German governments over the background to sterling's effective devaluation and also to calls in the UK press for the resignation of Mr Norman Lamont, the UK chancellor of the exchequer. Excitement was kindled by heavy trade in Trafalgar House, the shipping, hotels and construction conglomerate, as Hongkong Land, one-third controlled by Jardine Matheson, bought a 14.9 per cent stake.

Despite the further slide in the pound, the equity market continued to hope for another cut in domestic base rates, taking its cue from rumours in the foreign exchange markets that the Bundesbank might, after all, reduce German rates today.

Equities made an uncertain start as investors awaited the outcome of a meeting of UK government ministers after publication in London's morning newspapers of a statement by Mr Helmut Schlesinger, the Bundesbank president, had sparked a bitter response from the Bank of England. However, the UK chancellor left the meeting rejecting suggestions of resignation and the stock market began to advance behind continued firmness in stock index futures and the drama surrounding Trafalgar House.

The advance received a further spur in the second half of the session when hints of an impending cut in German interest rates circulated both in Europe and in the US. At best the Footsie showed a gain of 33.1 points but the market then boiled over. By the close, the gain on the FT-SE Index had been cut to 19.3 for a final reading of 2,572.3.

Confirmation that it was Hongkong Land chasing stock in Trafalgar House and that it would tender for a further 15 per cent stake, came only late in the day and there was some disappointment that there will be no full bid for at least a year. Suggestions of an impending bid for a Footsie stock have been circulating for some weeks.

Turnover of 168m shares in Trafalgar House made up about one fifth of the day's total Seaq turnover in equities of 823m. There was also a heavy overnight programme from a leading US house and a second programme crossed the trading screens towards the close of business. Demand for oil shares, in particular for Shell, was a late feature.

Wednesday's retail, or customer, business remained high, with the £1.5bn value figure maintaining the impetus of the past fortnight. County NatWest, the London investment bank, commented that share placings from companies and institutional shareholders have also been at a high level; this could suggest that investors are unconvinced as to the permanence of the rally in share prices which has greeted Britain's exit from the ERM network.

Sterling's weakness impacted on the stock market in terms of improving the attractions of share prices for overseas investors rather than by undermining hopes for lower interest rates. Nor was confidence notably harmed by the continuing flow of profits downgrades of leading UK companies by brokerage houses.

Account Dealing Dates		
*First Dealings:		
Sep 21	Oct 5	Oct 19
Option Declarations:		
Oct 1	Oct 15	Oct 29
Last Dealings:		
Oct 2	Oct 16	Oct 30
Account Day:		
Oct 12	Oct 26	Nov 9

*New time dealings may take place from 8.30am two business days earlier.

Far East raid on Trafalgar

AT THE opening of the market, all eyes were trained on conglomerate Trafalgar House as broker SG Warburg launched a dawn raid on the hotels, shipping, construction and engineering group. The move not only excited the market but sent the shares sharply higher on turnover soaring to record levels.

Word quickly spread that Warburg was shopping for a 15 per cent stake in Trafalgar at 85p, some 25p above Wednesday's close, but, apparently, with an order from the predator that only an outright 15 per cent was acceptable.

The few doubts about the likely success of the Warburg operation were dispelled by mid afternoon when a majority of the required stake went through the market. The ordinary shares jumped 29 to close at 89½p, and the "A" 28½p to 88p. Turnover in the ordinary shares reached a hefty 169m, while 44m "A" shares were traded.

Shortly after the market closed, it was announced that Hongkong Land had taken a 14.9 per cent stake in Trafalgar and was making a tender offer for an additional 15 per cent stake at 85p. A full-scale bid was ruled out for at least a year. Mr Bruce Davidson at Smith New Court said, "this places a floor on the share price but it will be difficult to see the price advance while Hongkong are still in the picture."

Trafalgar was quoted at between 84 and 87p, in after hours trading.

Shell in demand

Shell Transport outpaced a generally strong oil sector after a senior executive of Shell Oil, the group's US division, carried out a series of one-to-one meetings with analysts from many leading London broking houses.

Shell Transport shares raced up 9 to 546p on good turnover of 5.1m shares. Oil specialists said they were mainly boosted by sterling's weakness, notably against currencies linked to the D-Mark. Shell Transport would have to increase its sterling dividend proportionally more than Royal Dutch's payment in D-mark-linked Guilders to compensate for the decline in the UK currency.

The Shell Oil meetings were said to have gone well with the oil company highlighting to Panmure Gordon, the UK broking house, the significance of progress in the Gulf of Mexico and recent increases in US gas prices following Hurricane Andrew.

BP also attracted keen support, with dealers surprised at the weight of buying from UK institutions. Turnover, which reached 16m shares, was also boosted by the unwinding of positions said to have been taken out during the big programme-trade activity of recent sessions. BP ended the day 4 higher at 218½p.

Enterprise Oil added 6 more to 428p with the market warming up ahead of Monday's ADR listing in the US which will be accompanied by a series of presentations to US institutions.

Water stocks hit

An announcement from the Office of Water Services (Ofwat), that it was seeking cuts in domestic water charges of around 2 per cent for 1993/4 saw UK water company shares in full retreat before rallying in the mid-session, only to fall back again. The news also affected electricity stocks.

"This is obviously not good news and will mean that the water stocks could well drift easier in the near future," said Ms Rachel Lucas, a utilities specialist at County NatWest. But she said the sector "still offers three to five per cent real dividend growth". County said the Ofwat move would most affect companies such as Severn Trent and Welsh Water.

The utilities team at Nomura described the Ofwat proposals as "the annual autumnal regulatory tightening", and said they were "not entirely unexpected". Even after the planned cuts "water dividends are still covered three times", Nomura said.

Of the Footsie constituents, Anglian tumbled 18¼ to 420p, North West 16 to 442p, Severn Trent 19 to 396p and Thames 14 to 439p. The heaviest trade, 5.1m shares, was in Thames. Electricity stocks – "the best way back into the utilities sector," according to County - were given a mauling, with Norweb 19 lower at 413p and South West 18 off at 384p.

Barclays Bank and Lloyds Bank shares, unsettled earlier this week by worries about bad debts and property values, resumed their upward momentum. Barclays jumped 12 to 349p on big turnover of 9.7m shares in response to stories that UBS Phillips & Drew had recommended a switch from NatWest to Barclays. NatWest slipped 4 to 359p on 3m traded.

BICC fell 12 to 260p after Smith New Court chopped current year profits estimate to £120m and that for next year to £152m. Kleinwort Benson was said to have reduced its current year estimate even further, to around £100m.

Redland raced up to 3169p following interim figures at the top end of market expectations, but fell back to end a busy session a net 19 lower at 343p. The retreat came as analysts left a post-results meeting described by one as "realistic, but generally gloomy". He said Redland shares had suffered along with other building materials shares which looked toppy after a recent good run.

Contracting issues, battered by the recession, took heart from the move by Hongkong Land to acquire a 30 per cent stake in Trafalgar House. But property stocks, sustained recently by hints of possible predatory moves by Hongkong Land, suffered from selling by disappointed speculators.

Business services group BET fell back 6 to 102p, after Smith New Court downgraded its profit expectations for the current year by £47m to £88m, and the following year's forecast by £40m to £128m. The broker, however, expects BET to maintain its dividend at 6.5p. Turnover was 4.7m.

Shares in international conglomerate Hanson gave up 6 to 210p, in trade of 15m shares, amid reports of a profits downgrade from Hoare Govett, its own broker.

Shares in Forte brushed aside the much flagged disappointing interim results and a clutch of downgradings and jumped 14 to 149p, in brisk trade of 16m shares.

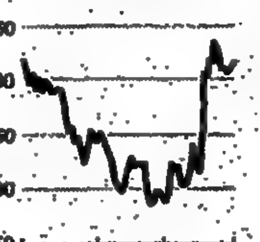
P&O mentioned for most of the session as a likely predetor for Trafalgar closed 2 up at 390p. Credit Lyonnais issued a buy recommendation on the stock saying, "trading cash flow is expected to turn positive from 1993, alleviating any balance sheet concern."

Asda Group edged up 1½ to 35p, after a £57m disposal of developments and sites. Henderson Crosthwaite said the sales represented bargains to the site purchasers, Argyll Group, unchanged at 335p, and J Sainsbury, up 14 at 483p.

MARKET REPORTERS:
Joel Kibazo,
Steve Thompson,

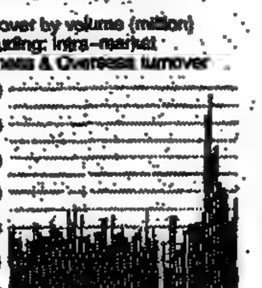
■ Other market statistics, Page 23

FT–A All–Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (88).
BRITISH FUNDS (15) Fd. 6pc Ln. '93, Tr. 9pc '94, Tr. 10½pc '99, Cv. 10¼pc '99, Cv. 9pc '00, Tr. 13pc '00, Tr. 2½pc IL '01, Tr. 2pc IL '06, Tr. 2½pc IL '09, Tr. 2½pc IL '11, Tr. 2½pc IL '13, Tr. 2½pc IL '16, Tr. [illegible]

FINANCIAL TIMES STOCK INDICES

	Oct 1	Sept 30	Sept 29	Sept 28	Sept 25	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.21	89.35	89.56	89.65	89.70	87.44	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	103.98	104.35	104.27	104.28	104.50	97.11	106.46 (14/9)	97.15 (2/1)	108.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1875.1	1860.8	1876.6	1873.1	1914.0	2019.2	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	73.0	74.2	74.8	77.1	78.8	159.9	160.6 (10/1)	65.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2572.3	2553.0	2565.5	2560.0	2601.0	2625.6	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1077.67	1079.39	1080.97	1082.28	1114.64	1172.61	1248.79 (11/5)	1029.56 (25/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.74	4.76	4.72	4.73	4.62	4.65				
●Earning Yld %(full)	6.90	6.94	6.87	6.89	6.73	7.42				
●P/E Ratio(Net)(*)	18.36	18.25	18.43	18.37	18.83	16.03				
SEAQ Bargns 5.00pm	25,704	20,885	21,842	21,996	29,229	32,593				
Equity Turnover(£m)†	-	1532.0	1129.5	1151.1	1319.2	893.9				
Equity Bargains†	-	25,178	24,520	26,364	32,791	32,019				
Shares Traded (ml)†	-	560.9	454.7	437.7	589.7	414.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ≈ 1017.01.

Ordinary Share Index, Hourly changes — Day's High 1886.7 — Day's Low 1857.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1861.6	1858.0	1865.0	1875.4	1875.6	1879.4	1885.1	1883.7	1874.4

FT-SE 100, Hourly changes — Day's High 2587.3 — Day's Low 2552.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2558.4	2558.1	2563.0	2577.1	2574.9	2577.3	2585.3	2584.7	2572.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1092.17 — Day's Low 1070.86

Open	11.30 am	12 pm	1 pm	2 pm	3 pm	4 pm
1090.84	1087.43	1090.71	1089.08	1080.71	1088.87	1080.83

GILT EDGED ACTIVITY

Indices*	Sept 30	Sept 29
Gilt Edged Bargains	165.7	117.1
5 – Day average	148.1	168.2

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	8	395	+7	Comm. Union	745	505	-2	Lonrho	1,000	69		Shell Transport	5,100	546	+9
ASDA Group	16,000	35	+1½	Cookson	1,400	148	-2	Lucas	2,300	[illegible]		Siebe	888	359	+5
Abbey National	2,000	312½	-½	Courtaulds	2,000	455		MB Caradon	476	248	-3	Slough Ests	1,100	101	-2
Albert Fisher	3,100	36½	+7	Dalgety	247	423	-3	MEPC	540	395	+12	Smith (W.H.) A	438	440	-2
Allied-Lyons	3,900	585	-2	De La Rue	119	881	+1	Manweb	326	495	-10	Smith & Nephew	1,600	145	+2
Amstrad	1,300	26	-1½	Dixons	1,000	208	-4	Marks & Spencer	2,800	329	+3½	SmKl Beecham	2,100	492	+8½
Anglian Water	3,100	421	-17½	Eastern Elect.	687	258½	-6½	Midlands Elect.	1,100	404	-6	SmKl Beecham Uts	3,400	435	+4
Argos	274	286	-6	East Midland Elect.	3,300	375	-7	NFC	375	289	+5	Smiths Inds.	1,900	315	+7
Argyll Group	3,100	335		Eng China Clays	780	460		NatWest Bank	3,000	359	-4	Southern Elect.	2,200	365	-2
Arjo Wiggins	1,100	184		Enterprise Oil	943	430	+6	National Power	4,600	274	-7	South Wales Elect.	91	447	-14
Ass. Brit. Foods	1,000	422	-5	[illegible]	1,500	436	+10	Next	5,800	100	+2	South West Water	1,700	427	-9
Ass. Brit. Ports	775	286	-2	FKI	1,400	81	-1	North West Water	4,200	444	-14	South West. Elect.	782	385	-18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Aerospace	7,200	131	+3	[illegible]	191	340	+2	Rolls Royce	4,500	135	+2	Utd. Newspapers	366	438	+11
British Airways	5,600	255	-3	ICI	1,300	1116		Rothmans	1,400	804	-5	Vodafone	2,800	353	+1
British Gas	8,600	247	+2	Inchcape	1,100	438	-10	Ryl Bk Scotland	1,000	182		Warburg (SG)	178	812	+1
British Land	465	147	+1	Kingfisher	656	500		Royal Insurance	3,400	185	+11	Wellcome	1,100	985	+12
British Steel	6,700	61	+2½	Kwik Save	384	570	+8	Saatchi	75	182		Welsh Water	2,800	480	-13
Bunzl	773	188	-1	Ladbroke	3,300	172	-½	Sainsbury	4,000	483	+14	Wessex Water	756	502	-24
Burmah Castrol	387	626	-10	Land Securities	1,300	485	+2	Scottish & New	430	430	+3	Whitbread 'A'	707	433	+8
Burton	595	39½	+1½	Laporte	596	547	-3	Scot. Hydro-Elect.	2,200	211	+4½	Williams Hldgs.	1,400	279	+1
Cable & Wire.	3,300	570	+4	Legal & General	598	399	+4	Scottish Power	7,800	180	+4½	Willis Corroon	2,100	187	+2
Cadbury Schweppes	3,200	438	-6	Lloyds Abbey	1,000	345	-3	Sears	3,700	76	+1	Wimpey	119	105	+4
Calor Group	55	185	-1	Lloyds Bank	4,500	444	+10	Sedgwick	1,300	134	+3	Wolseley	1,300	369	
Carlton Comms.	880	[illegible]	+8	LASMO	3,200	152	+1½	Seeboard	867	385	-12	Yorkshire Elect.	612	426	-13
Coats Viyella	311	186	+3	London Elect.	1,500	385	-15	Severn Trent Water	3,500	390	-16	Yorkshire Water	1,000	454	-19

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES markets had a relatively quiet session but, despite the fall in the pound, continued to give a good lead to the underlying equity prices, writes Terry Byland. In the stock index sector, the December contract on the FT-SE Index made a firm start, brushing off political uncertainties prompted by calls in the press for the resignation of the UK chancellor of the exchequer.

The contract struggled when it approached the 2,640 mark and lost impetus in the afternoon when volume drifted away to return a final total for the session of only 9,547 contracts. By the close, the contract had settled to around 2,619, still a comfortable premium over the cash market. Traders reported hints that German interest rates might be cut today.

In traded options, volume increased to 35,032 contracts from Wednesday's 23,653, with the sector led by the increased interest in Trafalgar House as Hongkong Land built a stake. Trafalgar headed the actives list with 6,388 contracts, followed by the Euro FT-SE with 4,377 contracts and Asda, the food supermarket, with 2,290. There was active trading in the British Airways contracts (1,568) and in Ladbroke (1,116).

The FT-SE contract had a less active session, returning volume of 6,810 contracts.

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday October 1 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Sep 30 Index No.	Tue Sep 29 Index No.	Mon Sep 28 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (174)	758.26	+0.7	7.65	5.77	16.93	26.19	752.79	755.54	766.73	853.00
2 Building Materials (23)	700.08	-1.5	7.52	7.85	18.79	30.02	710.86	713.57	737.62	1038.56
3 Contracting, Construction (26)	618.50	+1.0	3.17	8.14	330.93	29.27	612.60	610.70	618.44	1162.03
4 Electricals (9)	2047.59	-2.3	8.21	7.35	16.11	85.80	2095.60	2103.84	2117.45	2645.40
5 Electronics (27)	2059.98	+1.2	7.88	4.19	15.85	47.93	2035.54	2043.08	2058.46	1798.27
6 Engineering-Aerospace (6)	283.64	+1.6	12.71	8.23	9.98	13.53	279.06	274.80	273.62	375.73
7 Engineering-General (43)	455.52	+0.6	8.87	5.16	14.38	14.37	452.72	461.89	466.66	503.06
8 Metals and Metal Forming (7)	315.75	+2.6	5.50	6.93	26.42	7.52	307.70	305.50	311.48	458.97
9 Motors (14)	302.48	+0.1	8.76	7.81	15.02	14.69	302.05	304.28	308.82	351.43
10 Other Industrials (19)	1775.19	+1.5	7.07	4.70	17.10	57.00	1749.65	1751.95	1778.28	1638.39
21 CONSUMER GROUP (192)	1599.18	+0.9	7.21	3.61	17.20	32.79	1584.65	1595.99	1580.01	1559.97
22 Brewers and Distillers (25)	1949.71	+1.2	8.55	3.78	14.10	41.39	1927.47	1977.33	1971.03	1940.61
25 Food Manufacturing (19)	1198.39	+0.6	8.94	4.41	13.03	28.04	1191.48	1201.52	1195.35	1242.23
26 Food Retailing (18)	2764.01	+2.0	8.97	3.35	14.47	46.07	2710.17	2721.20	2675.44	2576.39
27 Health and Household (26)	4107.77	+1.2	5.39	2.69	21.51	68.85	4057.79	4054.80	3968.89	3714.60
29 Hotels and Leisure (18)	1090.76	+1.5	7.21	6.26	18.25	38.53	1074.29	1067.87	1053.66	1336.69
30 Media (26)	1617.22	-0.1	6.10	3.25	20.44	32.89	1618.77	1624.16	1623.88	1520.42
31 Packaging, Paper & Printing (17)	741.57	....	6.84	4.36	18.19	22.00	741.54	734.68	734.38	781.35
34 Stores (34)	1025.54	+0.1	6.92	3.54	19.26	18.84	1024.33	1035.06	1028.73	993.74
35 Textiles (9)	671.97	+0.7	7.06	4.57	17.82	16.42	667.02	670.12	676.70	633.01
40 OTHER GROUPS (116)	1281.90	-0.4	9.75	5.30	12.84	39.94	1286.57	1286.40	1288.59	1320.24
41 Business Services (17)	1336.35	-0.8	6.71	3.94	18.28	23.67	1347.52	1353.56	1361.14	1437.05
42 Chemicals (22)	1362.04	+0.1	7.20	5.33	17.24	40.13	1361.08	1377.89	1387.08	1466.32
43 Conglomerates (10)	1250.37	-0.6	9.22	8.60	13.80	30.55	1257.72	1273.57	1268.44	1530.88
44 Transport (14)	2524.92	....	7.96	4.68	15.46	74.86	2526.31	2493.60	2511.42	2423.41
45 Electricity (16)	1402.82	-1.7	14.83	5.23	8.69	55.01	1427.11	1402.04	1384.22	1280.67
46 Telephone Networks (4)	1450.30	+1.0	10.42	4.55	12.31	46.15	1435.44	1439.71	1440.18	1645.15
47 Water (11)	2871.66	-3.4	15.58	6.03	7.10	86.65	2971.26	2925.98	2906.00	2526.70
48 Miscellaneous (22)	2169.82	-0.1	6.08	4.65	20.63	55.15	2171.99	2184.14	2219.34	1904.83
49 INDUSTRIAL GROUP (482)	1287.37	+0.5	8.11	4.53	15.44	33.98	1281.42	1286.76	1284.39	1311.37
51 Oil & Gas (18)	2054.49	+1.4	6.57	6.31	19.96	84.69	2025.80	2025.47	2029.78	2435.48
59 500 SHARE INDEX (500)	1358.62	+0.6	7.95	4.72	15.62	37.99	1351.01	1356.04	1354.00	1408.36
61 FINANCIAL GROUP (83)●	758.63	+1.0	-	5.82	-	29.00	751.29	754.02	759.57	825.38
62 Banks (9)●	1025.86	+1.4	5.05	5.42	29.72	39.95	1011.56	1018.30	1034.58	964.50
65 Insurance (Life) (6)	1584.33	+0.4	-	5.73	-	66.22	1577.30	1577.75	1557.98	1545.59
66 Insurance (Composite) (7)	542.68	+0.6	-	5.54	-	16.37	539.62	539.68	536.00	635.37
67 Insurance (Brokers) (10)	698.41	+1.0	10.18	8.05	12.90	39.90	691.75	701.05	716.43	1178.77
68 Merchant Banks (7)	460.66	-0.4	-	4.86	-	13.08	462.47	463.76	466.66	480.77
69 Property (30)	555.07	+0.6	10.16	7.97	13.07	22.28	551.62	547.96	549.46	955.54
70 Other Financial (14)	242.58	+0.4	8.24	6.88	15.94	7.01	241.73	242.19	242.44	258.04
71 Investment Trusts (70)	1143.99	+0.7	-	3.93	-	26.39	1135.63	1146.21	1160.93	1256.36
99 ALL-SHARE INDEX (653)●	1213.65	+0.6	-	4.84	-	35.34	1206.16	1210.80	1210.82	1267.41

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 30	Sep 29	Sep 28	Sep 25	Sep 24	Year ago
FT-SE 100 SHARE INDEX♠	2572.3	+19.3	2587.3	2552.7	2553.0	2565.5	2560.0	2601.0	2621.2	2625.6

FIXED INTEREST

PRICE INDICES	Thu Oct 1	Day's change %	Wed Sep 30	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (22)	125.12	+0.16	124.92	2.20	9.31
2 5-15 years (25)	139.08	-0.04	139.15	1.84	10.59
3 Over 15 years (8)	143.50	-0.47	144.18	1.44	9.97
4 Irredeemables (6)	161.60	-0.61	162.60	3.44	8.83
5 All stocks (61)	136.44	-0.03	136.48	1.96	10.25
Index-Linked					
6 Up to 5 years (2)	175.88	-0.19	176.22	0.45	3.25
7 Over 5 years (10)	158.16	+0.08	158.06	0.83	3.64
8 All stocks (12)	159.42	+0.04	159.36	0.78	3.56
9 Debs & Loans (62)	117.16	-0.11	117.30	1.93	9.40

AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 1	Wed Sep 30	Year ago (approx.)
British Government				
1 Low	5 years	7.96	7.98	8.43
2 Coupons	15 years	8.84	8.79	9.33
3 (0%-7¾%)	20 years	9.08	9.02	9.33
4 Medium	5 years	8.52	8.56	9.58
5 Coupons	15 years	9.29	9.24	9.46
6 (8%-10¾%)	20 years	9.45	9.38	9.42
7 High	5 years	8.80	8.84	9.80
8 Coupons	15 years	9.51	9.46	9.54
9 (11%-)	20 years	9.60	9.54	9.46
10 Irredeemables		9.55	9.48	9.54
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.60	3.54	3.78
12 Inflation rate 5%	Over 5 yrs.	4.11	4.11	4.22
13 Inflation rate 10%	Up to 5 yrs.	2.83	2.76	3.18
14 Inflation rate 10%	Over 5 yrs.	3.93	3.93	4.05
15 Debs &	5 years	9.94	9.98	11.19
16 Loans	15 years	10.55	10.54	11.00
17	25 years	10.60	10.58	10.82

♠Opening Index 2558.4; 9 am 2553.1; 10 am 2563.0; 11 am 2577.1; Noon 2574.9; 1 pm 2577.3; 2 pm 2585.8; 2.30 pm 2585.8; 3 pm 2584.7; 4.10 pm 2571.7; (a) 2.46pm (b) 8.53am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE [illegible] Corporation Tax at 25%. CONSTITUENT CHANGES: DELETIONS: [illegible] ADDITIONS: [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8¼pc 1993		100	—	100	97½	8.25	8.14
10pc 1993‡‡		100½	-⅛	101	99⅛	9.91	8.16
12½pc 1993‡‡		102⅛	-⅛	103	100	12.18	7.96
Funding 6pc 1993‡‡		98½	+⅛	98½	95⅛	6.07	7.27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
9pc 2000‡‡		101½	+⅛	102	94	8.89	8.72
Treas 13pc 2000		121	—	121	114	10.73	9.23
10pc 2001		106	-⅛	106	99	9.41	8.98
14pc '98-01		121	+⅛	121	115	11.52	9.10
9¾pc 2002		104	-⅛	105	98	9.35	9.06
10pc 2003		106	-⅛	107	100	9.42	9.15
Treas 11¾pc 2001-04		119	+⅛	119	107	10.12	9.25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
4⅜pc '98	(135.3)	17	-⅛	17½	15	3.73	4.19
2½pc '01	(78.3)	182⅛	-⅛	182	139	3.72	4.05
2½pc '03	(78.8)	148⅛	-⅛	150⅛	135	3.76	4.06
4⅜pc '04	(135.3)	18	-⅛	18⅛	16⅛	3.88	4.09
2pc '06	(69.5)	161	+⅛	161	137	3.89	4.11
2½pc '09	(78.8)	138⅛	+⅛	138	124	3.95	4.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

[illegible]

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR's) IN PIONEER ELECTRONIC CORPORATION

PUBLIC NOTICE OF RECORD DATE WITH RESPECT TO INTERIM DIVIDEND

Notice is hereby given that, pursuant to the provisions of the Articles of Incorporation of the Company, September 30, 1992, Japan time, is the record date for determining those shareholders (including beneficial shareholders) or pledgees who shall receive the interim dividend.

Dated this 2nd day of October, 1992.

DEPOSITARY
BANK OF TOKYO INTERNATIONAL LIMITED
LONDON

AMERICANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	b	16¼xd	+⅛	19⅛	14⅝	13,706	2.2
Allegheny & W		370p	+26	370p	226p	198.4	4.6
Amdahl		521p	+7	1159p	509p	585.1	1.1
Amer Cyanamid		32¼	+⅜	37	28⅝	2,910	3.0
Amer Express		12½xd	+[illegible]	13⅞	10[illegible]	5,959	4.7
Amer T & T		25xd	+⅝	25[illegible]	20⅛	33,247	3.1
Ameritech		39½	+½	40	32½	17,138	5.3
BankAmerica		24¼xd	+1[illegible]	27⅛	19[illegible]	8,527	3.1
Bankers NY		36½xd	+⅞	37[illegible]	28¾	2,929	4.5
Bell Atlantic		27⅞	+⅝	28¼	23⅛	12,034	5.4
BellSouth		30	+⅜	32⅞	25	14,666	5.4
Bethlehem Steel		[illegible]	+[illegible]	9⅝	5¼	610.6	–
Bowater		1119pxd	–	1579p	905p	402.3	6.3
CPC	h	27⅝xd	+⅞	28⅞	22⅛	4,184	2.5
Cadiz Land Inc		128p	—	342p	128p	–	–
Chase Manhattan		12⅞xd	+½	18½	9⅛	1,837	5.4
Chrysler		13¼xd	+⅛	13[illegible]	6¼	3,874	2.6
Citicorp		9xd	+⅛	11½	5⅜	3,157	–
Colgate-Palm		32[illegible]xd	+[illegible]	33½	25¼	5,234	2.2
Cont'l Bank		827p	+11	1036p	499p	936.8	3.8
Dana		22[illegible]xd	+[illegible]	24½	14[illegible]	1,811	4.2
Data General		628p	+8	1094p	384p	173.2	–
Decora Inds		118p	—	122p	66p	–	–
Dun & Brad		32⅝	+⅛	33½	27⅝	8,021	4.1
Eaton		44⅞	+⅞	46½	32½	1,532	2.9
Echlin		11[illegible]xd	+[illegible]	11¾	7⅜	657.8	3.6
FPL		20[illegible]xd	+[illegible]	21¼	17[illegible]	3,759	6.8
Fluor		24[illegible]xd	+[illegible]	27	19¼	2,022	0.9
Ford Motor		22¾xd	+1	28⅞	15	11,881	2.6
Gen Elect		45xd	+1¼	45⅞	36⅛	38,443	3.1
General Host		535p	+21	584p	360p	–	3.9
Gillette		33[illegible]xd	+1¼	34[illegible]	23[illegible]	7,253	1.3
Hasbro		19⅞	+½	19⅝	12⅞	1,682	0.6
Honeywell		37[illegible]	+⅝	43	32	2,640	2.5
Houston Inds		25⅝	+⅞	28	22	3,318	6.8
IBM		46¼xd	+⅞	54½	42¾	26,390	6.1
Ingersoll-Rand		16⅞	+[illegible]	19[illegible]	12[illegible]	1,737	2.4
Lockheed		27⅛	+⅝	27⅞	22⅞	1,864	4.6
Lowe's	h	1056p	+49	1279p	815½p	770.0	1.5
Merrill Lynch		28[illegible]xd	+1	39[illegible]	24⅞	2,993	2.4
Morgan (JP)		35⅝xd	+1	37½	28[illegible]	6,881	3.6
Morris (Philip)		46⅝xd	+⅛	50⅞	37[illegible]	44,727	2.1
NYNEX		47	+1⅛	48⅛	39⅝	9,613	5.8
Pall		15⅞	+⅛	17[illegible]	10[illegible]	1,282	1.3
Pennzoil		[illegible]xd	+⅝	31⅝	23⅛	1,238	6.7
Quaker Oats		35[illegible]xd	+1[illegible]	40[illegible]	30	2,885	3.1
Rockwell		14⅝xd	+½	18[illegible]	11½	3,258	3.7
Rep NY		24¼xd	+1⅛	26[illegible]	20⅞	1,287	2.4
Sears, Roebuck		25⅝xd	+⅝	28	19[illegible]	8,830	4.6
Sthwestern Bell		39⅛	+1⅛	39⅛	31⅜	11,740	4.4
Sun Co		13[illegible]xd	+[illegible]	16⅞	12⅜	1,479	7.7
Tenneco		21⅛xd	+[illegible]	25[illegible]	16½	2,645	4.5
Texaco		36¼xd	+⅛	37[illegible]	30[illegible]	9,667	5.1
Time Warner	h	13[illegible]	+[illegible]	18½	11½	5,172	1.2
Unisb		337p	—	807p	320p	313.0	–
URS Intl. 1c		0¼p	—	1¼p	0¼p	2.71	–
US West		21⅛	+⅛	22⅛	18⅛	8,916	5.7
Varity		1280p	–6	1365p	632p	393.7	–
Waste Manage		20[illegible]xd	+[illegible]	28	16[illegible]	10,313	1.5
Whirlpool		2147pxd	+27	2799p	1755p	1,489	3.0
Woolworth		18[illegible]	+[illegible]	18[illegible]	13⅛	2,421	3.5

CANADIANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbot Energy		1¾p	—	3p	1¾p	–	–
Amer Barrick		1807p	–27	1894p	1286p	2,891	0.5
Bk Montreal		20	+⅛	23⅛	19⅛	2,433	6.0
Bk Nova Scot		880p	–12	1170p	899p	2,000	5.0
BC Gas		700p	+18	870p	621p	–	4.1
BCE		19⅛	—	24⅛	18⅞	6,000	8.3
Brascan		849p	+26	987p	704p	700.2	5.5

BUILDING MATERIALS - Cont.

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Stanmo		7xd	—	16	6⅛	23.2	5.7	8.4
Tarmac		74	+3	187	51	539.5	10.3	29.4
Tilon	t	132	–2	170	85	14.8	3.3	11.6
Travis Perkins		134	–1	228	105	136.2	6.1	10.8
Tudor		35	—	38	31	3.83	5.9	–
Unigroup		15	–1	24	8½	4.40	–	–
Ward Group	t	62xd	—	91	62	10.6	[illegible]	2.8
Waterhouse		34	—	43	23	0.85	[illegible]	–
Wickes		98		104	[illegible]	[illegible]	–	–
Wolseley	§	359	—	479	287	849.8	4.5	16.8

BUSINESS SERVICES

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
ADT $		395	+7	500	343	486.7	–	♦
Adam & Harvey		208	—	248	193	8.98	7.1	26
Air London	†	75	–1	127	75	8.82	5.7	7.9
African Lakes		37	—	66	34	2.64	7.2	7.4
Auto'ted Sec	†	111	+6	152	85	125.8	6.0	8.8
BET	♦0	102	–6	[illegible]	91	882.7	8.5	14.9
BNB Res		82	+1	100	46	12.5	12.6	6.1
BPP	†	273	—	[illegible]	208	68.1	3.4	16.4
Barbour Index		220	—	288	178	36.6	4.4	16.1
Boustead		19	—	38½	19	16.2	5.8	38.2

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

Oryx Gold	62½	—	102	51	—	—
Vizcaya	1¼	—	3	1	[illegible]	—
Western & Pac C$	10¼	—	[illegible]	7	11.1	—

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
☆ Not officially UK listed; dealings permitted under Rule 535(2)
Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
r Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring +44 81-643 7181, quoting the code FT3078. Reports will be sent the next working day, subject to availability. Please quote the current code above, which is changed weekly. Only one report per company.

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Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2¼	77.81	77.82	79.63	+1.03	0.00
Short Dtd Gilt	1¼	101.1	101.1	102.5	-0.1	1.93
U.S. Govmnt Bond	1¼	[illegible]	0.7051	0.7148	[illegible]	0.00
Gilt Income	4	[illegible]	[illegible]	[illegible]	-0.12	9.30
Gilt Growth	4	59.67	59.67	62.10	-0.22	0.00
City Reserve	0	54.64	54.64	54.64	+0.01	9.80
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 398046						
Stockmarket Fd F	5	56.16	56.32	59.91	+0.22	2.77

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exps Sep 16	530.6	547.5	.....	1.27
James Capel Fund Managers Ltd				
Managed Exempt	1112.3	1118.5	+1.05	4.67
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Aug 31	477.00	479.10	.....	6.18
Fxd Int Sec Aug 31	140.60	141.25	.....	10.27
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare (1000)F				
[illegible] 071-280 2800				
Charinco Inc	165.3	167.2	-0.20	9.81
Charinco Acc	946.0	957.2	-1.00	9.81
Charishare Inc	164.7	168.4	-0.20	4.69
Charishare Acc	208.9	213.6	-0.20	4.69
CAFINVEST-Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333				

INSURANCES

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Continued on next page

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Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Gwth Mngd	578.6	613.5	−1.3	−
Adventurous Mngd.	133.1	141.7	+1.1	−
Cautious Mngd.	111.8	119.0	+0.3	−
Cash Fd	310.6	327.3	−	−
Property Fund	216.6	230.5	−	−
Equity Fund	637.1	677.8	+0.7	−
Fxd. Int. Fund	367.3	387.1	−	−
International	286.0	304.3	−0.6	−
High Income	515.3	548.2	+4.0	−
Far East	371.7	395.5	+3.0	−
North American	336.8	358.4	+5.9	−
Special Sits	470.8	500.9	−7.5	−
Technology	332.2	353.5	+2.9	−
Extra Inc Fd.	275.9	293.6	−0.3	−
Convertible & Gilt Fd.	132.3	140.8	+0.4	−
American Income	147.9	157.4	+2.1	−
Gilt Fund 20	413.6	440.1	−3.3	−
European Fund	108.2	115.1	+1.8	−
Pref & Fixed Int.	99.7	106.1	+0.1	−
UK Blue Chip	103.4	109.0	+0.7	−
Recovery Fund	96.3	101.5	+0.5	−
Equity Income Dist.	92.5	98.5	+0.8	5.25
Managed Dist	88.7	94.4	+0.3	5.60
High Yield Dist.	95.2	100.4	+0.4	7.08
Pension Funds				
Balcd Gth Mngd Pens Acc.	651.9	686.3	+3.2	−
Adventurous Mngd Pens Acc.	134.3	141.4	+1.1	−
Cautious Mngd Pens Acc.	127.4	134.2	+0.6	−
Building Soc. Acc.	356.3	375.1	−	−
Property Pens. Acc.	293.9	309.4	−	−
Fix. Int. Pens. Acc.	572.8	603.0	−	−
Equity Pens Acc.	796.1	838.0	+6.1	−
International Pens Acc.	258.4	272.0	−0.4	−
High Inc Pens Acc.	587.4	397.3	+4.7	−
Tech Pens Acc.	224.8	236.7	+2.5	−
N American Pens Acc.	246.6	259.6	+5.1	−
Far Eastern Pens Acc.	365.1	384.4	+3.1	−
Special Sits Pens Acc.	385.6	405.9	−4.2	−
Extra Income Pens Fd	335.9	353.6	+0.8	−
Convertible & Gilt Pen	162.0	170.6	+2.3	−
American Inc Pens	165.1	173.8	+0.5	−
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Reliance Mutual

Reliance House, Tonbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or −	Yield Gross
Deposit Acc Fd.	165.2	173.8	−	−
Equity Acc Fd.	357.0	375.8	−8.4	−
Managed Acc Fd.	312.9	329.2	−	−
Prop Fd (1st Issue)	−	570.1	−	−
Prop Acc Fd (2nd Iss.)	117.1	123.3	−	−
Unit Trust Mn Fd	131.6	138.5	−	−
RL Pension Funds				
Deposit Acc	238.5	251.0	−	−
Equity Acc	256.9	270.5	−0.3	−
Fixed Int Acc	231.8	244.0	−	−
Gilt Indx Lnk Acc.	174.6	183.8	−	−
Managed Acc	333.5	351.1	−	−

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone 0285 640302 Helpline 041 307 4900

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
JRA/M&G Managed	100.5	105.8	+0.20	−
JRA/Scottish Amicable Mngd	95.60	100.7	+0.50	−
JRA/St James's Place Mngd	102.1	107.5	+0.50	−
Deposit	98.30	103.5	−	−
Far East	98.00	103.2	−1.50	−
Gilts	99.70	105.0	−0.30	−
Greater European	105.5	111.1	+0.80	−
North American	104.9	110.5	+1.70	−
UK Equity	98.50	103.7	+0.70	−
Pension Funds				
JRA/M&G Managed cap	97.30	102.5	+0.20	−
JRA/M&G Managed acc	99.70	105.0	+0.20	−
JRA/Scottish Amicable Mngd cap	91.90	96.80	+0.60	−
JRA/Scottish Amicable Mngd acc	94.20	99.20	+0.58	−
JRA/St James's Pl Mngd cap	102.3	107.7	+0.70	−
JRA/St James's Pl Mngd acc	104.7	110.3	+0.60	−
Deposit cap	98.60	103.8	−	−
Deposit acc	101.0	106.4	−	−
Far East cap	93.00	97.90	−1.50	−
Far East acc	95.20	100.3	−1.60	−
Gilts cap	98.10	103.3	−0.40	−

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Life Investments—Contd.

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Shield Assurance Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group—Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Westminster Assurance Society

Windsor Life Assur Co Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assur. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equitable Life (International)

Finsco International Ltd

Hafnia Prolific International

Hansard International Ltd.

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Pensionslife

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Zurich Life Assurance Co Ltd

Target International Group

MANAGEMENT SERVICES

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

Falconwood Financial Services Ltd

Foster & Braithwaite Ltd

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Northern Rock & Partners

Patterson Financial Services

Roxborough Financial Management Ltd

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

J. G. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mngmt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Sarasin Funds Management (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Bankers Fund Managers (CI) Ltd

Harbrit Fund Managers (Guernsey) Ltd

Havelet Management (Guernsey) Ltd

Henderson Admin. (Guernsey)

Kleinwort Benson Intl Fd Mngrs Ltd

Latin America Capital Partners Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Germany

Nikko Capital Mngt (Europe) Ltd

Rothschild Asset Mngmt (CI) Ltd

Saudi International (Guernsey) Ltd

Sharps Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Yamaichi Capital Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

Hafnia Prolific International Managed Ltd

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngrs (Ireland) Ltd

Fidelity International Fund Plc

GT Asset Management (Ireland) Ltd

Gemini Portfolio Managers Limited

Hambros Fund Managers (Ireland) Ltd

Irish Life International Fd Mngrs Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Sanwa International (Ireland) Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1.600)F

Asset Global Funds Ltd (1200)

Gartmore Fund Managers (IoM)

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers Intl Ltd

Sun Life International (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)

ATC Fund Management (SG) Ltd

AXA Equity & Law Intl Fund Mgrs

Appleton Financial Advisors Ltd

CMI Fund Managers (IOM)

City Financial Admin (IoM) Ltd

Dunbar Lawrie Inv. Mgt. Ltd

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Gartmore Fund Managers (IoM)				
Intl. Inc.*	15.6	16.6	+0.1	12.0
*Projected Yield				
John Govett Management (IoM) Ltd				
[illegible]	$17.844			
[illegible]	£8.40			
[illegible]	£10.06			
[illegible]	$9.90			
Govett Mgd Fut Sep 25	£14.45	15.47		
Govett Mgd Pound Sep 25	£10.14	11.09		
[illegible]	$12.38			
[illegible]	$5.53			
[illegible]	$8.55			
IBI Global Funds Limited				
Intl Stlg Gwth	£18.35	19.28		
Intl $US Gwth	$18.07	29.03		
High Income Gilt	£24.79	25.70		
International Equity	£18.16	19.19		
International Bond	£21.00	21.85		
Managed Currency	£26.04	26.31		
Sterling Currency	£26.00	26.35		
US$ Currency	$37.63	38.02		
Irish £ Currency	I£14.76	14.92		
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8.15	8.80		
B.F. Offshore Inc Fd Ltd	£10.52	11.03		
Natham Mines W/W 5/5	$8.61	9.14		
LFM Sterling Fd	£10.53	10.98		

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
INVESCO MIM International Limited				
All funds deal daily except where indicated.				
Sterling Denominated Income Funds				
American Equity Inc	£1.535	1.647xd	+0.024	2.78
Japan Inc & Gwth	£1.299	1.394	+0.011	2.60
Sterling Denominated Growth Funds				
Capital Deposit	£37.35	37.36		-
European Perform	£0.4106	0.4415xd	+0.0057	-
Far East	£2.137	2.090	+0.039	-
Pioneer Markets	£3.060	3.290	+0.039	-
UK Growth	£1.124	1.209	+0.003	2.35
£ Mgd Portfolio	£1.417	1.532	+0.015	-
US Dollar Denominated Growth Funds				
Gold & Prec Mtls	$0.673	0.724	-0.001	-
Japan Performance	$2.071	2.227	-0.003	-
Gtd NW 1994 **	$9.10	-	+0.11	-
MIM London Agents				
Apollo Fd Sep 23*	SFr77.0	82.43		-
*Weekly Dealing. †Fortnightly Dlng. **Monthly Dlng.				
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inc Port	£2.263	2.377xd	-0.046	1.34
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.37	9.41xd	-0.26	9.98
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Oct 1	$14.30	14.59xd	+0.04	2.74
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	53.7	56.0		8.37
UK Equity Fd (z)	199.2	212.0xd	+0.02	3.02
*Intl Bond Fd	93.1	96.0	-0.01	7.57
**Natural Resources Fd	110.4	118.0	---	0.42
*Sterling Mngd Acct Fd	502.2	529.0		5.00
*Sub. day every Thurs. **Sub. [illegible]				
NatWest Trust Car Currency Fund (z)				
Dollar Class		$37.9490	+0.0071	-
Sterling Class		£25.5291	+0.0186	-
D-Mark Class		DM52.2227	+0.0514	-
Dutch Guilder Class		Dfl81.8174	+0.0456	-
Japanese Yen Class		Y7914.2633	+2.4181	-

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Anglo-German rift sinks pound

STERLING dropped nearly 5 pfennigs against the D-Mark yesterday as foreign exchange markets were thrown into confusion by a new rift between the UK Treasury and the Bundesbank, *writes James Blitz.*

Since it was devalued two weeks ago, the pound has hovered weakly above DM2.50 because of the apparent lack of an economic policy in the UK. The emergence of a new faultline in Anglo-German relations on Wednesday night pushed the pound down to DM2.4770 in Asian trading, with the currency bottoming out at DM2.4680 in Europe yesterday. It later closed at DM2.4750, down 4¼ pfennigs on the day.

The unhappiness with sterling was well analysed by a currency manager at one of the biggest UK investment funds. He said that sterling was now undervalued against the D-Mark, but that purchasing power parities were no longer influencing the market. "Instead," he said, "our customers are concerned that there is no official target for the sterling exchange rate."

Until Wednesday's row surfaced, he had thought sterling could bottom out at DM2.40. He now believed that it could go to DM3.30, adding that some of his colleagues believed DM2.20 was not far fetched.

Two factors will influence the short-term outlook for the currency. The first is whether Mr Norman Lamont, the UK chancellor, resigns. Mr Ian Beauchamp, chief economist at Hambros in London, said: "I don't think that Lamont is a plus for sterling. A plus for the pound would be someone with a new mandate."

Another factor is whether the Bundesbank cuts short-term rates today. A generous injection of liquidity into the German money market at 8.9 per cent yesterday, about 20 basis points below call money, raised new hopes of this. The French franc and the peseta closed slightly easier against the D-Mark at FFr3.38 and Pta70.42 respectively. But pressure on the peseta remains strong, and a Bank of Spain official called for a review of EMS mechanisms to counter capital flows.

Several analysts ruled out a rate change altogether, while some thought that the differential between US and German rates could widen further if there is a poor US non-farm payroll report today. The dollar rose more than a pfennig yesterday on a mixture of short covering and optimism about the German money market intervention, closing at DM1.4255 in London. But it remains nearly 6 pfennigs down on the week.

Even so, there was a feeling that the currency tensions may be over. "The market has already discounted the idea that the Federal Reserve has decided to ease," said Mr Neil MacKinnon, chief economist at Citibank in London. "And there is some chance that the weaker ERM currencies will escape devaluation."

£ IN NEW YORK

Oct.1	Latest	Previous Close
£ Spot	1.7355-1.7365	1.7845-1.7856
1 month	0.91-0.90pm	0.92-0.90pm
3 months	2.52-2.50pm	2.58-2.56pm
12 months	8.35-8.25pm	8.40-8.30pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.1	Previous
8.30 am	82.5	83.8
9.00 am	82.6	83.7
10.00 am	82.7	83.7
11.00 am	82.8	[illegible]
Noon	82.8	83.7
1.00 pm	82.6	83.7
2.00 pm	82.4	83.5
3.00 pm	82.4	83.5
4.00 pm	82.7	83.7

CURRENCY MOVEMENTS

Oct 1	Bank of England Index	Morgan Guaranty Changes %
Sterling	82.7	-27.2
U.S Dollar	60.3	-18.3
Canadian Dollar	94.1	-7.4
Austrian Schilling	114.5	+15.6
Belgian Franc	116.4	+1.7
Danish Krone	119.1	+7.9
D-Mark	[illegible]	+31.7
Swiss Franc	117.3	+25.0
Dutch Guilder	[illegible]	+20.8
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts against Ecu Oct. 1	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.5484	-3.35	2.84	44
Dutch Guilder	2.29193	2.21624	-3.30	2.79	42
D-Mark	[illegible]	1.96777	-3.26	2.75	52
French Franc	6.82216	6.65065	-2.51	1.96	4
Danish Krone	7.75901	7.60759	-1.95	1.37	-23
Irish Punt	0.799300	0.750341	[illegible]	0.58	-57
Portuguese Escudo	176.844	174.999	-1.04	0.44	-1
Spanish Peseta	139.176	138.333	[illegible]	0.00	-9

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
17/9/92 Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct. 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7360 - 1.7625	1.7360 - 1.7370	0.91-0.89cpm	6.22	2.52-2.49pm	5.77
Canada	2.1665 - 2.1925	2.1740 - 2.1750	0.27-0.03cpm	0.83	1.07-0.34pm	1.30
Netherlands	2.7825 - 2.7990	2.7825 - 2.7925	par-¼cdis	-0.27	¼-¼dis	-0.27
Belgium	50.60 - 51.15	50.85 - 50.95	3-4cdis	-0.83	3-9dis	-0.47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Oct 1	£	$
[illegible]	[illegible]	[illegible]
Iran	2716.00*	1435.00*
Korea(Sth)	1384.95 - 1407.25	782.10 - 788.30
Kuwait	0.51545 - 0.51610	0.29080 - 0.29110
Luxembourg	50.85 - 50.95	29.30 - 29.40
Malaysia	4.3610 - 4.3750	2.4950 - 2.4960
Mexico	5223.90 - 5236.60	3109.00 - 3110.00
N Zealand	3.2275 - 3.2305	1.8475 - 1.8495
Saudi Ar	6.4680 - 6.6200	3.7495 - 3.7505
Singapore	2.7750 - 2.7835	1.5915 - 1.5935
S Af (Cm)	4.9120 - 4.9440	2.8170 - 2.8190
S Af (Fn)	7.4815 - 7.5305	4.2825 - 4.3105
Taiwan	43.95 - 44.15	25.15 - 25.25
U.A.E.	6.3335 - 6.4835	3.6715 - 3.6735

*Floating rate. Iran Official rate £119.55 $63.30

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.	Pta	Ecu
£	1	1.737	2.475	208.5	8.365	2.163	2.78	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.576	1	1.425	120.0	4.816	1.245	1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.404	0.702	1	84.24	3.380	0.874	1.12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.796	8.331	11.87	1000.	40.12	10.37	13.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.195	2.077	2.959	249.3	10.	2.586	3.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.462	0.803	1.144	96.39	3.867	1	1.28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.359	0.623	0.888	74.78	3.000	0.776	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.462	0.802	1.143	96.30	3.864	0.999	1.28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.193	0.336	0.478	40.29	1.616	0.418	0.53	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.965	3.413	4.862	409.6	16.43	4.250	5.47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.574	0.997	1.420	119.6	4.799	1.241	1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.792	1.375	1.960	165.1	6.623	1.713	2.20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKETS

Hopes of rate cut

SENTIMENT in the sterling cash and futures markets fell sharply yesterday morning following revelations of a new row between the Bundesbank and the UK Treasury over the sterling crisis.

However, the mood in all markets improved after the Bundesbank injected a quick tender allotment of DM15.6bn into the German money market at a fixed rate of 8.9 per cent.

The Bundesbank's last three liquidity injections have been at declining rates of 9.2 per cent, 9.0 per cent, and 8.9 per cent, leading some traders to think that there will be a cut in German short-term rates at the Bundesbank's fortnightly council meeting today.

The disagreements between the Bundesbank and the UK Treasury underlined the uncertainty about the future direction of UK economic policy. One discount house director remained confident that there would be another cut in UK base rates before the end of the month, possibly at the Conservative party conference next week.

But the prime mover behind a base rate cut would be Mr Norman Lamont, the UK chancellor, and his position may have been seriously undermined by the latest turn in the Anglo-German row. A clearing bank dealer said yesterday that the immediate aftermath of Mr Lamont's resignation would be a rise in money market rates, because a new chancellor would be under pressure not to show a lax view on rates in his first months in office.

The December short sterling contract opened 12 basis points lower at 91.68, and dropped another 3 points to bottom out at 91.65 in the morning.

News of the German intervention brightened the market's mood and the December contract closed at 91.88, 8 basis points up on the day. The December contract on the French futures exchange closed 20 basis points up at 90.70.

The Bank of England took most of the day to remove a shortage of £900m. In early operations, the Bank purchased £65m of Band 1 bank bills at 8¾ per cent. The Bank later purchased £7m of Band 1 bank bills at 8¾ per cent, £32m in a repo at 8¹¹⁄₁₆ per cent, £16m in Band 1 Treasury bills, £304m of Band 1 bank bills, and £4m of Band 2 bank bills at 8¾ per cent. Late assistance was £370m.

UK clearing bank base lending rate
9 per cent
from September 22, 1992

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

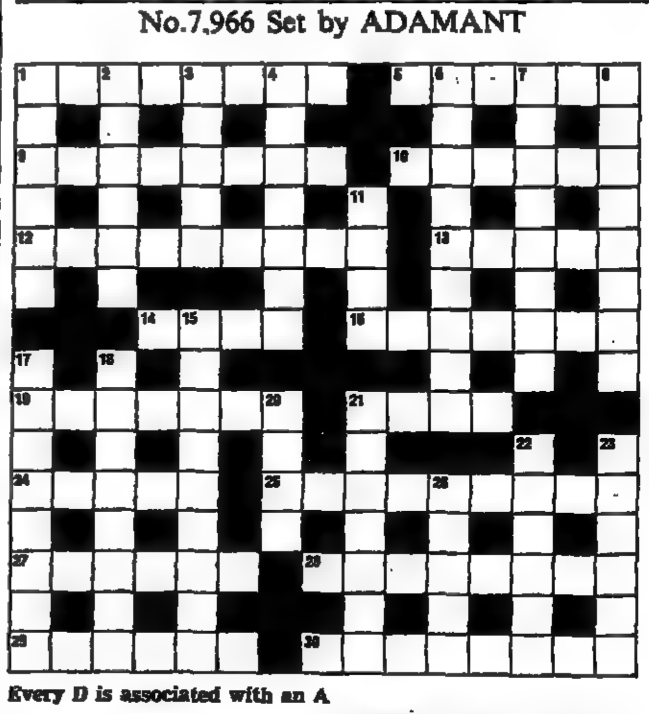
Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

CROSSWORD

No.7,966 Set by ADAMANT



Every D is associated with an A

ACROSS
1 Chide Ash, about to play at mid-on (8)
5 Give D workover – for running riot? (6)
9 Only with translating rights am I richest A (8)
10 A put off swallowing sign of the times (6)
12 D finds attractive girl getting round legal puzzle (9)
13 Time isn't commonly a defect (5)
14 Eager to make progress in German limited company (4)
16 Disturbed Dr Ellen A (7)
19 You and I vote the President to be a D (7)
21 Telepathy coming back to a part of the cathedral (4)
24 I object to taking alternative point for the D (5)
25 Wrong clue, Jim – that is needed for the drink (4,5)
27 Moves out of his or her class (6)
28 First mentions the property (8)
29 A might point to Australian rock (6)
30 Experts, yet left uneasy by front portico (8)

DOWN
1 Are holding worthless character in the shopping mall (6)
2 Man taking back a couple for the D (6)
3 Organic salt originally not available? (5)
4 Toss out first class main recreation (7)
6 Subtle meanings in obvious units (9)
7 Pay the servant (8)
8 Exert a stranglehold on the extreme right lot when rioting (8)
11 Cleaner fish (4)
15 One of those who crawl along the verge, roll over .... (9)
17 .... while others might mainly crawl (8)
18 Labour Party axe falls on bonuses (5,3)
20 Payment that will be enough for the French (4)
21 Married another boyfriend (7)
22 But would this D like a decrepit semi in the outskirts of Wallasey? (6)
23 He pays the demand by letter (6)
26 Blocks the airways round English A (5)

Solution to Puzzle No.7,965

IMPACT BEETROOT
N O O O C H U H
TERRIER SPINNER
I T N D T R C A
MUFF REGARDLESS
A O C R T P H
TALLOW VITAMIN
E I P C C R T R
POLYGON STRIDE
E W N F Y N H
NUTCRACKER SERE
I O I E L P R A
GRAFTER OPENAIR
M S E T N S N S
ANTEROOM SORTIE

WORLD STOCK MARKETS

CANADA

TORONTO

3 pm October 1

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
200	Abitibi Pr	$14	14	14¼	
6600	AgnicoEa	$6	6⅞	6	+¼
81900	Air Cda	330	d320	325	-5
35200	Alberta En	$15¾	15½	15⅝	
1600	AlbNtGas	$14⅝	14½	14½	-⅛
249800	Alcan Al	$21⅝	d21¼	21¼	-⅛
296300	Am Barr	$37⅜	36⅞	37¼	-⅜
200	Ato Cl I x	$11⅝	11⅝	11⅝	+⅛
387600	Bk Montr'l	$44	43⅝	43½	
671700	Bk Nova Sc x	$21⅞	21½	21⅝	+¼
3100	BC Sugar A	$8⅞	8¾	8⅞	-⅛
419700	BCE Inc	$42¾	d42⅛	42¼	-¼
6600	Belmoral	8	d8	8	
4400	BGR A	$7	7	7	
61700	Bomb'dierB	$11⅞	11½	11¾	
3900	Bow Valley	$11⅝	11⅜	11⅝	+¼
39700	BP Canada	$14¾	14⅜	14⅝	
74700	Bramalea	74	67	73	+6
2700	Brascan A	$18⅝	18⅜	18⅜	-⅛
35100	Breakwater	38	34	34	-4
42600	BC Tel	$20	19¾	20	+⅛
900	Bruncor x	$19¾	19⅜	19¾	+⅛
3900	Brunswick	$9¾	9¾	10	
38000	CAE Ind x	$5⅞	5¾	5⅞	
11500	Cambior	$10½	10⅛	10⅜	
11100	Cambridge	$14⅞	14¾	14¾	
100	Cameco x	$15⅝	15⅝	15⅝	
1000	C'bell Res	49	49	49	
377200	CanImpBk x	$28⅜	27⅝	27¾	
23000	Can Occid	$28⅝	28¼	28¼	-⅜
377100	Can Pac x	$16	d15⅝	15¾	
700	Can Tire	$17¾	17⅝	17¾	
77600	CanTire A	$16⅛	d15¾	15¾	-¼
14700	Can Util A	$21⅝	21½	21½	
200	Can Util B	$21⅜	21⅜	21⅜	-¼
500	Canamax	23	23	25	
148600	Cantor	$28¼	28	28¼	+¼
100	CnPcForest	$24½	24½	24⅞	
1800	Cara Op	460	460	460	
2000	Cascades	$6	6	6	
800	Celanese x	$40	39⅞	39⅞	
3700	Cntrl Cap	10	d8	8	
4000	Cinepx Odn	293	285	293	+8
100	Cntrl Fd A	500	500	500	
31300	Cominco	$20⅛	20	20	-⅛
18000	Coputelog	51	50	50	
357600	Corel Sys	$17⅞	15¾	16½	-1⅜
500	CoscanDev	450	450	450	
12700	CrownX A	133	130	130	-3
5500	Denison A	25	23	25	
200	Derlan	500	d500	500	
49600	Dofasco	$10⅛	d9¾	9¾	-¼
28400	Dominn Txt	$7	6¾	7	+⅛
13600	Domtar Inc	$5¾	5⅝	5¾	
100	Du Pont A	$41½	41½	41	
28700	DundeeBncA	345	345	345	
69800	Echo Bay M	$7⅞	7⅝	7⅝	-⅛
6000	Emco Ltd	$5½	5½	5½	
100	Empire	$11⅞	11⅞	11⅞	
29600	Euro Nev	$18½	17½	17½	-1
200	FPI Ltd	320	320	320	
2400	FahnstkVnr	$7¾	7⅝	7¾	+⅛
2500	Finning	$11⅝	11⅝	11⅝	+⅛
900	Fst Mara A x	$9¼	d9	9¼	-½
100	Fortis	$22¾	22¼	22¾	
10100	Four Seasn	$18⅜	18¼	18⅜	+¼
27500	FrancoNev	$30⅛	29½	29½	-½
20000	Galactic	10	10	10	
500	Gandlf A x	$18½	18½	18¾	
4600	Giants Gld	470	470	470	
2000	Granges	142	142	145	
1700	GW Lifeco x	$13⅝	13⅝	13⅝	
60900	Gulf Cda R	$5¾	5⅜	5⅜	-¼
100	GW Utils	$5⅝	5⅝	5⅝	-¼
6000	HarrisSt A	$5½	5½	5½	
300	Hawker Sid	$22¼	21¼	21¼	-⅛
62100	Hees Intl	$12⅜	12	12	-¼
11000	Hemlo Gold	$9⅝	9½	9½	-⅛
600	Hollinger	$12	12	12	
6700	Home Oil	$15⅝	15⅜	15⅝	
2700	Horsham	$10¼	10⅛	10⅛	-⅛
1200	HudsBayM&S	$5¾	5¾	5¾	
2400	HudsonsBay	$27⅞	27¾	27¾	-⅛
133000	Imasco	$37⅞	37⅝	37⅞	+⅛
214400	Imp Oil	$43⅝	43¼	43½	+⅜
218600	Inco	$29⅞	d29¼	29¼	-⅜
13700	IntMurexT	$8¼	8	8⅛	
7300	IntprvPipe	$24⅞	24¾	24¾	
800	Invest Grp x	$24	23⅝	24	
100	Ivaco A	395	395	395	
700	Jannock	$13¾	d13⅜	13⅜	-¼
2200	KerrAddis	$19	18½	19	+½
14800	Labatt x	$26½	26⅛	26¼	-⅛
687500	Lac Minls	$8½	8¼	8¼	-⅛
100	Lafarge	$15⅛	15⅛	15⅛	
6100	Laidlaw A	$9½	9½	9½	+⅛
213100	Laidlaw B	$9½	9¼	9¼	+⅛
300	Laurent Bk	$17½	17¼	17¼	
3000	Laurent Gp	500	d500	500	-25
1300	Lawson Mar	u$10⅞	10⅝	10¾	-⅛
25200	Loblaw	$17⅞	17¾	17¾	
19700	Mackenzie	$5¼	d5⅛	5¼	
29500	Macm Bl	$17¾	17⅜	17½	-¼
114200	Magna IntA x	$30¼	29¾	30	-⅛
21200	Mpl Lf Fds	$14⅜	14⅛	14⅛	-⅛
6600	Marit T&T x	u$22	21⅞	21⅞	
250500	Mark Res	$5⅜	5⅜	5⅜	-⅛
400	MDS Hlth B	$14½	14½	14½	-¼
102900	Metall Min	$13½	13⅜	13⅜	-¼
1800	Minnova	$16½	16½	16½	
39100	Mitel Corp	189	180	180	-10
5500	Molson A	$30⅛	29⅞	30⅛	+⅛
118500	Moore Corp	$19⅜	d19	19⅛	
70900	Muscocho	5	4	4	
17300	Nat Bk Can x	$7⅞	d7⅝	7⅝	
4200	Noma Ind A	$6⅛	6	6	-⅛
18000	NorandaFor	$7¾	7⅝	7¾	+⅛
173200	Noranda	$19⅝	19⅜	19½	
500	Norcn8.12	$25½	25½	25½	
20700	NorcnMVtg	$22	21⅝	21⅝	-⅜
102100	Nth Tele	$39⅞	d39¼	39¼	-½
11100	Northgate	75	75	83	
493000	Nova Corp	$8⅝	8⅜	8½	-⅛
5200	Nowsco WSv	$9½	9¼	9½	
7700	Numac Oil	$5¼	5¼	5¼	
1500	Onex Corp	$7¼	7¼	7¼	
1300	Oshawa A	$22⅝	22½	22⅝	+⅛
88400	PWA Corp	265	255	262	+12
23000	Pagurian A	410	400	400	
800	Pancdn Pet	$27⅝	27¼	27⅝	+⅜
319100	Pegasus	$21¼	21	21¼	+⅛
32700	Pioneer Mt	13	13	13	
493000	PlacerDome	u$14⅝	14¼	14⅜	
78500	Poco Pet	485	470	480	+10
22600	Power Corp	$15⅛	14⅞	14⅞	-⅜
2000	Power Fin x	$21⅛	20¾	21	-⅜
300	Quebecor A	$15	15	15	
341000	Ranger Oil	$8⅝	8⅜	8⅜	-⅛
1700	Rayrock	$9⅞	9¾	9¾	-⅛
2100	Reed Sten	u$32½	32½	32½	
100	Reitman B	$15¾	15¾	15¾	
173500	Ren'ssance	$15⅞	15½	15½	-¼
135200	Repap Ent	380	375	375	-5
2100	Rio Algom	$18⅜	18¼	18¼	-¼
72500	RogersComB	$13⅝	13¼	13¼	-⅜
100	Rothmans	$94	94	94	
384700	RoyalBkCan	$23⅛	22⅝	22⅞	+¼
98700	Ryl Oak Mn	190	188	188	-2
68300	RylTrustco	$5¼	5½	5⅝	+⅛
6900	StLawCm A	$8¼	8¼	8¼	+¼
157000	Sceptre Rs	85	81	81	-3
4000	ScottPaper	$13½	13½	13½	+¼
13000	Scotts Hos	$12⅝	d12½	12⅝	
354300	Seagram Co	$34⅜	33⅝	33½	-1
19600	Sears Can	$6⅝	d6½	6½	-⅛
5600	ShellCan A	$41⅞	41⅛	41⅛	-½
1900	Sherritt G	$7⅜	7¼	7⅜	
6900	SHL Systm	$8⅝	8½	8½	-⅛
57100	SNC Group	$8½	8¼	8½	
500	Sonora Gld	12	12	14	
167300	Southam	$17⅛	17	17	-⅛
1100	Spar Aero x	$16¼	16⅛	16⅛	-⅛
225000	Stelco A	223	216	219	-6
43800	Teck B	$20⅝	19¾	19⅞	-⅛
2200	Teleglobe	$12¼	12¼	12¼	-⅛
86700	Thomson x	$13⅝	13⅜	13¼	-¼
319600	Tor Dom Bk x	$17¾	17⅞	17½	+⅛
37800	Torstar B	$24½	24½	24½	-⅛
500	TotalPNAm	$6⅞	6⅞	6¾	+⅛
65000	TransAlta	$13½	13¼	13¼	-⅛
196100	Transcan P x	$17⅞	17¾	17⅞	
5000	Trimac	$8⅞	8¾	8⅞	+⅛
76000	Trizec A	465	460	460	-15
3200	UAP A	$17⅛	17⅛	17⅛	
67300	UnionEnt	$16	15⅞	16	
2900	UnitedCorp	$27¾	27¼	27¼	-⅛
400	UtdDomInd	$10⅜	10⅜	10½	
200	Univa	$7⅝	7⅝	7⅝	
2000	Viceroy Rs	$5⅝	5⅝	5⅝	
58500	W'coast E	$16½	16⅛	16¼	+⅛
4700	Weston Geo	$36¼	36	36¼	+¼
51500	WIC B	$15⅛	15⅛	15⅛	

‡ - No voting rights or restricted voting rights

MONTREAL

3 pm October 1

Sales	Stock	High	Low	Close	Chng
31600	BombrdierB	$11⅞	11⅝	11⅝	-⅛
188400	Cambior	$10⅜	10¼	10⅜	
167100	Canimp Bk x	$28¼	27⅝	27⅞	+⅛
100	CanMarconi	$14¼	d14¼	14¼	
4200	Cascades	$6⅛	5⅞	6	
25900	DominTxt A	$6⅞	6¾	6⅞	
47500	MacleanHnt	$11⅛	11⅝	11⅝	-⅛
102600	NatBk Can x	$7⅞	d7⅝	7⅝	
200	Quebecor A	$15	15	15	
2600	Teleglobe	$12¼	12	12¼	-⅛
5700	Univa	$7⅝	7½	7½	-⅛
900	Videotron	$15½	15⅜	15½	-⅛

Total Sales 12,734,800 shares

INDICES

NEW YORK

DOW JONES	Sep 30	Sep 29	Sep 28	Sep 25	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3271.66	3266.80	3276.26	3250.32	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.91	102.98	102.93	102.64	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1276.57	1287.65	1284.62	1273.34	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.98	219.83	220.96	219.08	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3291.66 (3295.98) Low 3247.89 (3247.08) (Theoretical)(a)
Day's High 3276.80 (3280.04) Low 3264.64 (3259.24) (Actual)(a)

STANDARD AND POOR'S	Sep 30	Sep 29	Sep 28	Sep 25	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.80	416.80	416.62	414.35	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	490.49	489.96	489.99	487.23	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	36.01	35.63	35.54	35.46	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	229.46	228.90	228.70	227.73	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	376.72	375.61	377.25	378.49	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	583.27	577.63	575.34	577.20	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Sep 25	Sep 18	Sep 11	year ago (approx.)
Dow Industrial Div. Yield	3.19	3.10	3.12	3.08

	Sep 23	Sep 16	Sep 9	year ago (approx.)
S & P Industrial div. yield	2.68	2.63	2.64	2.73
S & P Indl. P/E ratio	27.57	27.77	27.46	21.15

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Compuservis	3,452,200	6¼	- 3
IBM	3,006,400	80¼	- ¼
Sears Roe	2,752,600	44⅜	----
Global Mar	2,549,800	2⅞	+ ⅛
Telefonos	2,535,400	44¼	+ ⅜
Merck	2,180,700	44½	+ ⅜
Chrysler	2,030,200	23	+ ⅛
Comw Edison	1,721,500	22⅞	- ⅛
Gen Motors	1,689,700	32⅛	+ ⅛
RJR Nabisco	1,640,300	9	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Sep 30	Sep 29	Sep 28
New York SE	184.220	170.360	157.480
Amex	11.623	9.435	7.470
NASDAQ	187.133	158.855	124.359
NYSE			
Issues Traded	2,332	2,312	2,304
Rises	1,030	866	909
Falls	691	813	788
Unchanged	611	633	607
New Highs	57	41	25
New Lows	34	39	46

CANADA

TORONTO	Sep 30	Sep 29	Sep 28	Sep 25	1992 HIGH	1992 LOW
Metals & Minerals	2830.96	2841.07	2884.10	2895.67	3238.87 (16/1)	2828.26 (8/4)
Composite	3297.88	3327.24	3367.99	3385.49	3666.00 (16/1)	3297.88 (30/9)
MONTREAL Portfolio	1699.56	1719.46	1738.26	1750.97	1937.59 (16/1)	1699.56 (30/9)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ∂ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telerate) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Oct 1	Sep 30	Sep 29	Sep 28	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1472.1	1485.1†	1487.7	1496.5	1684.50 (22/5)	1472.10 (1/10)
All Mining (1/1/80)	653.5	660.4	665.2	669.5	726.88 (3/7)	652.40 (9/9)
AUSTRIA						
Credit Aktien (30/12/84)	329.27	326.64	332.85	334.33	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	802.36	795.56	812.46	817.12	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1109.17	1109.17	1107.20	1109.10	1235.40 (2/6)	1046.87 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	264.34	262.79	262.57	263.54	365.29 (15/1)	262.57 (29/9)
FINLAND						
HEX General (28/12/90)	625.7	611.6	596.6	591.1	935.90 (24/2)	541.08 (7/9)
FRANCE						
CAC General (31/12/81)	471.46	463.14	468.62	481.15	555.93 (12/5)	462.23 (2/9)
CAC 40 (31/12/87)	1724.09	1736.73	1731.93	1770.26	2077.49 (11/5)	1667.72 (25/8)
GERMANY						
FAZ Aktien (31/12/58)	584.91	584.38	583.58	584.99	725.26 (26/5)	582.34 (26/8)
Commerzbank (1/12/53)	1650.20	1647.10	1646.08	1650.60	2043.80 (25/5)	1642.70 (26/8)
DAX (30/12/87)	1484.03	1466.36	1476.26	1475.04	1811.57 (25/5)	1466.36 (30/9)
HONG KONG						
Hang Seng Bank (31/7/64)	5528.84	5505.44	5581.92	5597.20	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1143.27	1144.05	1161.20	1189.50	1469.57 (17/1)	1143.27 (1/10)
ITALY						
Banca Com. Ital. (1972)	363.10	363.64	358.82	360.45	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	716.0	717.0	706.0	708.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17369.91	17399.08	17748.09	17972.61	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1304.43	1310.60	1331.72	1349.09	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1717.38	1725.30	1732.16	1744.24	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	598.10	602.28	605.93	610.65	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Til.Rtn.Gen.(End 1983)	(c)	(c)	(c)	291.9	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	(c)	(c)	(c)	196.8	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	602.62	589.03	584.38	571.98	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1418.11	1404.54	1395.36	1386.47	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	363.50	363.81	363.63	362.04	416.99 (21/1)	354.15 (19/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	(u)	902.0	896.0	903.0	1327.00 (21/1)	857.00 (10/9)
JSE Industrial (28/9/78)	4199.0§	4211.0	4196.0	4197.0	4689.00 (4/6)	3973.00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	508.76	513.82	524.11	516.04	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	186.01	192.95	193.62	195.02	266.51 (28/2)	186.01 (1/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	698.60	696.60	654.10	672.4	1014.50 (11/5)	654.10 (29/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	846.8	844.1	847.6	847.5	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	639.8	638.4	640.3	640.2	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3584.08	3524.21	3397.29	(c)	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangok SET (30/4/75)	859.66	847.00	850.52	849.07	871.37 (25/9)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	499.5*	501.0	501.8	501.3	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	813.17	814.80†	812.67	817.26	976.55 (25/5)	793.32 (25/8)

**Saturday September 26: Taiwan Weighted Price: 3351.63, Korea Comp Ex. 524.23
§ Subject to official recalculation. †-Correction. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, October 1 1992

	Stocks Traded	Closing Prices	Change on day
Mitsui Min & Sml	14.0m	505	-5
Nippon Mining	11.2m	515	+13
Green Cross	10.4m	1,480	-10
Aishin Seiki	7.1m	594	+14
Takara Shuzo	6.3m	720	+35
Nikken Chems	5.3m	935	-32
Meiji Milk Prod	4.1m	963	+2
NPN Steel Corp	3.8m	289	-1
Toshiba Corp	3.7m	570	+16
Toyo Kanestsu	3.4m	775	+10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3 pm October 1

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11½	AAR Corp	0.48	4.0	19	173	11⅞	11⅝	11⅞	+⅛
26	18	A L Labs A	0.18	0.8	84	486	23¾	23½	23¾	
68¼	52⅝	AMP Inc	1.52	2.5	24	1429	61⅞	60⅞	60⅞	-⅞
80¼	55	AMR				202598	57¼	56⅝	56¾	-⅜
2⅛	1⅛	ARX			15	27	1½	d1⅛	1⅛	-⅛
53½	33⅞	ASA	2.00	5.8	22	262	34⅜	34½	34⅝	
34¼	26¼	Abbott Lab	0.60	2.1	20	8971	28¾	28¼	28⅝	+⅜
13⅞	11½	Abitibi Pr	0.50	4.3	6	11	11½	d11½	11½	
11⅝	10⅛	ACM Gvt In	0.96	8.5		444	11⅜	11¼	11¼	-⅛
10⅞	9⅛	ACM GvOpp	0.80	8.1		5	9⅞	9⅞	9⅞	
9⅝	8½	ACM Gvt.Sp	0.79	8.4		448	9½	9¼	9⅜	
11⅜	10½	ACM Gvt Sc x	0.96	8.5		177	u11⅜	11⅛	11¼	-⅛
10⅝	8⅝	ACM Man	1.08	10.2		120	u10⅝	10½	10⅝	
12⅞	9⅞	ACM Managd	0.99	9.8		133	10⅛	10⅛	10⅛	-⅛
11¼	4¾	Acme Cleve	0.40	5.9	13	14	6¾	6⅝	6¾	
6¼	4⅛	Acme Elect			31	29	4⅛	d4⅛	4⅛	-⅛
35¼	14⅞	Acuson			10	370	15⅞	15⅝	15¾	
20	18¼	Adams Expr	0.48	2.5	1	68	19⅝	19½	19½	-⅛
49¼	29½	Ad Micro	3.00	8.1		38	37½	37	37	-½
21½	7½	Ad Micro P	3.00	27.3		45353	11⅛	10¾	11	-¼
9⅛	4⅞	Advest Grp	0.16	2.8	71	35	6	5¾	5¾	-⅛
41⅞	33	Aegon ADR	1.69	4.0	7	189	41¾	41½	41½	-⅜
47	38	Aetna Ll	2.76	6.5	10	2226	42⅝	40⅝	42⅜	+1½
12⅞	8⅞	Aflil A	0.24	2.2	13	438	11	10¾	10⅞	-⅛
34	24	Aflac	0.44	1.4	15	502	31⅜	31¼	31⅜	+¼
18⅞	13⅞	Ahmanson	0.88	6.3		62436	14	13¾	13⅞	-⅛
22½	4½	Aileen Inc			8	147	5⅛	5⅛	5⅛	
49½	36½	Air Pr Chm	0.88	2.0	18	810	45	44	44	-⅛
29¾	12½	Airbne Frt	0.30	1.8	33	113	16⅞	16¾	16⅞	
34¼	22⅝	Airgas Inc			26	279	32	30¾	32	+1¼
12⅞	8⅛	Airlease x	1.68	14.8	8	42	11⅜	11¼	11⅜	+⅛
104	98½	AlaPw8 16	8.16	8.1		15	101½	101	101	-1⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
90⅛	62	Bristol M	2.76	4.4	15	5886	63⅞	[illegible]	[illegible]	[illegible]
57½	39½	Brit Airwy	2.16	4.2	6	1106	52⅞	[illegible]	[illegible]	[illegible]
49½	40⅛	Brit Gas	3.86	8.7	10	224	44⅛	[illegible]	[illegible]	[illegible]
66⅛	43⅝	BP ADR	3.60	7.6	18	3402	48⅛	[illegible]	[illegible]	[illegible]
32¼	27⅞	BP Prudhoe	3.15	9.9	7	223	31⅞	[illegible]	[illegible]	[illegible]
1⅞	⅛	BP Wts93				340	⅛	[illegible]	[illegible]	[illegible]
15⅜	9⅜	Brit Steel	0.76	7.1	30	336	10⅞	[illegible]	[illegible]	[illegible]
70⅝	53⅞	Br Telecm	4.46	7.1	11	463	63	[illegible]	[illegible]	[illegible]
22¾	15¼	Broad Inc	0.20	0.9	8	1241	22⅛	[illegible]	[illegible]	[illegible]
35¼	28	Brooklyn U	1.94	5.8	15	216	33⅝	[illegible]	[illegible]	[illegible]
28¾	21	Brown Grp x	1.60	6.0	27	224	26½	[illegible]	[illegible]	[illegible]
10½	5	Brown&Shrp	0.32	5.6	110	30	5½	[illegible]	[illegible]	[illegible]
90	72	BrwnFormnB	2.44	2.8	16	64	88½	[illegible]	[illegible]	[illegible]
25¾	19⅝	Browning F x	0.68	2.9	28	3047	24	[illegible]	[illegible]	[illegible]
3⅞	1⅞	BRT			1	65	2⅛	[illegible]	[illegible]	[illegible]
17¾	12¼	Brunswick	0.44	3.4	45	712	13	[illegible]	[illegible]	[illegible]
19	12⅞	Brush Well	0.20	1.2	10	183	16⅞	[illegible]	[illegible]	[illegible]
32⅛	25⅞	Buckeye Pt	2.60	8.6	11	47	30⅛	[illegible]	[illegible]	[illegible]
17¼	15⅜	Bunker Hll	1.44	9.1	0	17	16	[illegible]	[illegible]	[illegible]
15	11⅛	Burger K I	1.56	10.7	21	35	14⅝	[illegible]	[illegible]	[illegible]
19¾	11	Burl Coat			16	490	18½	[illegible]	[illegible]	[illegible]
47⅞	33¼	Burl North	1.20	3.2	13	3006	38⅞	[illegible]	[illegible]	[illegible]
43⅝	33	Burln Resc	0.50	1.2	27	1820	40⅛	[illegible]	[illegible]	[illegible]
18	14¼	Burnham Pc x	1.36	8.9	76	100	15¼	[illegible]	[illegible]	[illegible]

- C -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
37½	28⅝	CBI Ind	0.48	1.7	18	1460	28⅝	[illegible]	[illegible]	[illegible]
217	132¼	CBS Inc	1.00	0.5	43	895	u220½	213	[illegible]	[illegible]
1⅝	⅝	CCX Inc			2	15	¾	[illegible]	[illegible]	[illegible]
5⅛	¼	CF Inc Uts	0.16	64.0	0	5	¼	d[illegible]	[illegible]	[illegible]
22⅞	14⅞	CMS Energy	0.48	2.8	66	103	17⅛	17[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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- O -

- P - Q -

- R -

- S -

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Prev. Close Ch'ge
30¾	25¾	Yankee Egy	1.88	5.4	14	11	u30½	30⅞	30½	+⅛
1⅞	⅞	Zapata			28	33	1⅛	1	1⅛	+⅛
11⅞	5⅞	ZenithElec			3	865	6	d5¾	6¾	−¼
19½	14½	Zenith Nat	1.00	5.9	8	6	16⅞	16⅞	16⅞	−⅛
7½	6	Zenix Inc x	0.82	11.3		282	7⅛	7¼	7¼	−⅛
13¾	10	Zero Corp	0.40	3.6	16	250	11½	11⅛	11⅛	−⅛
35	27¾	Zurn Ind x	0.88	2.9	33	80	30⅞	30½	30½	−¼
14⅛	12	Zweig Fund	1.14	8.9		195	12⅞	12¾	12¾	
11	9½	Zweig Totl	0.96	9.5		952	10⅛	10⅛	10⅛	−⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm October 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	21	2	11⅞	11⅞	11⅞	
Pet H&SP	1.14	15	47	16¾	16½	16⅝	−⅛
Phil LD	0.28	16	377	39¼	39⅛	39¼	+⅛
Pitway A	1.10	15	11	30	29¾	30	
Ply Gem	0.12	21	24	10	9⅞	9⅞	−⅛
PMC x	0.68	14	45	10¾	10⅝	10¾	+⅛

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NASDAQ NATIONAL MARKET

3 pm October 1

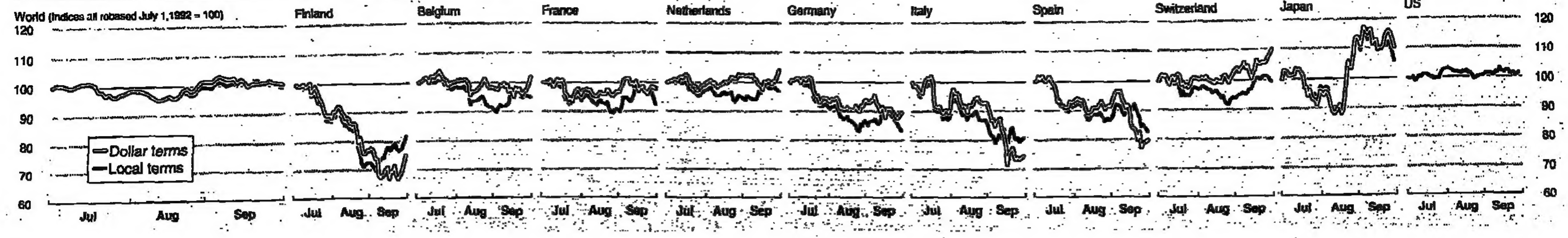
- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wilmington	0.48	19	6795	19	d18⅝	18⅞	
WPP Group	1.11	1	171	1⅛	d1⅛	1⅛	+⅛
Wyman-Gdn	0.40	4	120	5⅛	4⅞	4⅞	
Xilinx		18	4438	17⅞	d17	17	−⅞
Xoma Corp		5	1218	10¼	d9½	9¾	+⅛
Yellow Fr	0.84	20	1909	25	24¼	24½	−⅛
York Rsch		7	2202	7¼	6⅞	7	−⅛
ZionsUtah	1.44	11	50	u61	59½	61	+1

FINANCIAL TIMES Friday October 2 1992

FT-Actuaries World Indices in the third quarter 1992

Jointly compiled by The Financial Times Ltd, Goldman Sachs & Co. and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries



AMERICA

Dow declines on rise in jobless insurance claims

Wall Street

US share prices fell soon after the opening yesterday on more bad economic news, although by early afternoon more than half of the early losses had been recouped in the wake of a strong bond market rally, *writes Patrick Harverson in New York.*

By 1pm the Dow Jones Industrial Average was down 4.05 at 3,267.61, off lows more than 15 points below Wednesday's close. The more broadly based Standard & Poor's 500 was down 0.69 at 417.11, while the Amex composite was 1.34 lower at 375.39 and the Nasdaq composite 3.35 lower at 579.92. NYSE turnover was 120m shares by 1pm, and declines outpaced rises by 893 to 639.

After a modest early gain, shares took flight on a 15,000 rise in weekly state unemployment insurance claims.

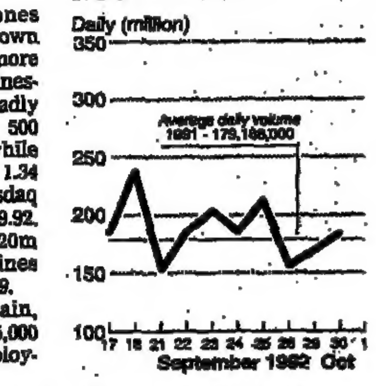
Analysts had been expecting a small decline in claims, and the data immediately sparked speculation that today's employment report for September would show another big fall in non-farm payrolls.

Although this might prompt another cut in interest rates, investors yesterday chose to focus on the implications of the recent data for economic, and corporate earnings growth.

The day's other piece of gloomy economic news was a sharp drop in the National Association of Purchasing Management's September index, which fell from 53.7 to 49.0. Any figure below 50 is regarded as an indication that manufacturing business is contracting.

Among individual stocks, Pennzoil jumped \$3⅛ to \$56⅝ as investors reacted positively to Wednesday's late news that the company plans to swap 48 per cent of its \$2.2bn stake in Chevron for some of Chevron's US oil and gas reserves. Chevron was also higher, up \$⅜ at \$74½.

NYSE volume



Medical Care America plunged \$4⅛, or 17 per cent, to \$20⅜ in turnover of 2.7m shares after the company said that it was being sued by stockholders for making allegedly misleading comments about its revenue and earnings prospects.

Another big loser was Glenfed, which dropped \$⅝ to \$15 on a warning that a cash squeeze could force the company to seek bankruptcy protection over the next six months.

Coleman rose \$1⅛ to \$24⅝ after the company said that it expected third quarter profits to exceed the 8 cents a share it earned at the same stage a year ago and revenues to top last year's third quarter total of \$82.7m.

On the Nasdaq market, Sun Microsystems dropped \$3 to \$28¼ in turnover of 2.2m shares after analysts at the broking houses, Morgan Stanley and Goldman Sachs, lowered their estimates for the company's first quarter net income to 15 cents a share.

Software Publishing fell \$1⅞ to \$7⅞ after the company said that it will cut its workforce by 15 per cent in a restructuring programme which could cost as much as \$14m.

Canada

TORONTO was weaker for the fourth consecutive day, but losses were only moderate at midday. The TSE 300 composite index was down 6.4 to 3,291.5 in volume of 16.3m shares, while declines led advances by 215 to 169 and transactions were valued at C\$96.0m.

Dealers said that equities, by now, might have reflected most of the uncertainty surrounding Canada's referendum on the constitution on October 26.

Among active issues, Trilon Financial class A fell C\$¼ to C\$6⅛, Bank of Nova Scotia rose C\$⅜ to C\$21⅞, Lac Minerals eased C\$⅛ to C\$8⅝ and Nova Corp fell C\$¼ to C\$8⅝.

Kuwait falls as expected

KUWAIT, which reopened on Monday following a two year closure forced by the Iraqi invasion, closed its week apparently 22.4 per cent down on a temporary index set up by an independent company; but the fall came within pre-opening predictions, *agencies report.*

Alshal Economic Consultants said yesterday that its provisional "Alshal Index" for the period measured the value of stocks between August 1, 1990 – the last trading day before the August 2 Iraqi invasion – and the last trading day of each week.

The index closed at 77.6, down 22.4. Volume during the three days was 2.89m shares valued at 1.21m Kuwaiti dinars (\$4.14m) for an average of 963,000 shares, and 403,000 dinars a day.

Initial trading was limited and local observers said that trading was cautious because of the weakness of the economy, which had led to predictions of a 25 per cent fall in the market before it reopened.

SOUTH AFRICA

JOHANNESBURG pared early losses in active trade to close marginally weaker. Industrials came off a low of 4,191 to close 12 points weaker at 4,199 while the overall index lost 7 to 3,204, off the day's 3,199 low. The gold index lost 10 at 892. Property shares were active as institutional investors switched to the sector to take advantage of high yields.

EUROPE

Troubled background for Buba

AN ATTACK on currency speculation came from the Irish finance minister; one on the Bundesbank from Spain after its credit rating was placed under review; borrowing plans to shore up the Italian economy were promulgated; and the focus of currency speculation turned back to sterling again.

All this formed a troubled background to German speculation that the Bundesbank will cut rates again after its council meeting today, *writes Our Markets Staff.* Dealers there expect squalls if the rate cut does not happen.

FRANKFURT, meanwhile, picked up on the speculation and the rise in bunds to close with the DAX index 17.67 higher at 1,494.03, although German market turnover was still said to be thin.

Bank shares made the most of the story, Deutsche Bank gaining DM7.50 marks at DM640.50, Commerzbank, helped by UK orders, DM9 to DM239 and Dresdner Bank DM8.50 to DM351.

Elsewhere, carmakers regained lost ground. Volkswagen, which fell sharply earlier this week after a news magazine forecast heavy operating losses for 1992, recovered DM6.70 to DM281.90; BMW rose DM5.50 to DM471 and Daimler added DM6 at DM564.50.

MADRID suffered further as Moody's, the US credit ratings agency, said that it was reviewing the rating of Spain's foreign currency debt. The general index closed down 6.94 at 186.01 while the Ibex was 3.7 per cent lower.

Since the devaluation of the peseta the market has been weakening with fears that there may have to be a further cut to increase the competitiveness of the economy. Utilities have come under pressure because of the extent of their exposure to foreign currency debt. Yesterday Fecsa was Pta59 weaker at Pta524 and Sevillana lost Pta21 to Pta394.

Mr Victor Galliano, analyst at Baring Securities in London, commented that there was likely to be some bargain-hunting as the general index enters the 180 level but that "as long as the currency remains vulnerable one will see no support from foreign institutions".

PARIS fell on some disappointing interim results with the CAC-40 index shedding 12.73 to 1,724.00 in turnover of FFr2.09bn.

Pernod Ricard lost more than 9 per cent following the release after Wednesday's close of half year earnings which came in at the lower end of expectations. The drinks group also forecast that net profit growth will be limited to 6 per cent for the full year, due to fluctuations on foreign exchange markets and a decline in domestic sales. The shares lost FFr38.00 or 8.45 per cent to FFr411.50.

Alcatel Alsthom was another loser on the day following poor interim figures. The telecoms and engineering group closed FFr6 lower at FFr626.

Peugeot lost ground ahead of results which came out just after the close, ending down FFr20 or 3.6 per cent at FFr524. Eurotunnel went against the trend on Wednesday's news that it had been successful in an arbitration case against Transmanche Link. It closed up 30 centimes at FFr36.70.

ZURICH tapped into the German interest rate speculation and this, together with a decline in Swiss interest rates late in the session, left the SMI index 6.9 higher at 1,885.2.

Banks reflected the theme, SBC registered rising SFr3 to SFr268. On Wednesday, Salomon Brothers said that SBC was inexpensive; a hedge against the dollar's weakness; and a beneficiary of lower European interest rates.

AMSTERDAM featured a new all time low of Fl 12.60 in DAF, ahead of a brief suspension as the truck maker clarified its financial position. The group said that it was near to agreeing a Fl 210m loan from banks, and closed Fl 2.00 down at Fl 13.20.

The CBS Tendency index lost 0.4 to 110.5. KLM recovered after denying reports that it planned further cost cuts and the shares lost Fl 1.70 to Fl 25.90.

MILAN tried to rally on the government's final approval of a L93,000bn package of budget cuts for 1993, but a sharp fall in Montedison weighed upon the market, where the Comit index closed 0.54 lower at 363.10.

Montedison's move from profit to loss in the first half of 1992 left the shares L69, or 6 per cent down at an official close of L1,076, and another L36 lower at L1,040 on the kerb. Ferruzzi Finanziaria, which controls Montedison, dropped 9.3 per cent to L1,038.

Generali moved against the trend, gaining L320 at L25,150 on strong foreign buying interest; and the retailer, Rinascente, put on 5.8 per cent to L3,739 on speculation that it might be sold by the Agnelli group to finance the Fiat expansion programme.

COPENHAGEN firmed again, *writes Hilary Barnes,* led by industrials and shipping shares as the all-share index rose by 1.55 to 64.34. Novo Nordisk put on DKr6 to close at DKr518, Danisco was ahead by DKr13 to Dkr628, and Baltica continued Wednesday's recovery with a rise of DKr15 to DKr230. Codan, the insurance company among potential contenders to take over the insurance divisions of the collapsed Hafnia group, fell DKr150 to DKr3,700.

OSLO majored on shipping, the sector index rising by 4.85 per cent to 285.20 with Bergesen B NKr5 higher at 80.5. The all-share index rose 8.74 points, or 2.65 per cent to 338.62 in active trading worth NKr329.6m. In HELSINKI, the bank and finance company index jumped 11.85 as the Hex rose 14.2, or 2.3 per cent to 625.8.

FT-SE Eurotrack 100 - Oct 1

Hourly changes							
Open	11.30am	12 pm	1 pm	2 pm	3 pm	4 pm	close
1005.29	1005.26	1004.90	1007.24	1007.87	1008.75	1006.11	1006.01

Day's High 1010.41 Day's Low 1004.39

Sep 30	Sep 29	Sep 28	Sep 25	Sep 24
1003.44	1009.98	1016.40	1035.63	1041.31

Base value 1000 (26/10/90).

ASIA PACIFIC

Nikkei registers its fifth consecutive loss

Tokyo

SHARE prices closed marginally lower as buying by public insurance and pension funds countered profit-taking and arbitrage-linked selling, *writes Emiko Terazono.*

The Nikkei average fell 29.17 to 17,369.91, falling for the fifth consecutive day. The index rose on small-lot buying in the morning session, rising to the day's high of 17,554.56 before falling to the low of 17,104.21 in the afternoon as a decline in the futures market prompted arbitrage unwinding.

Volume firmed to 320m shares against 288m. Declines led advances by 672 to 297 with 129 issues unchanged. The Topix index of all first section stocks lost 6.17 to 1,304.43 and in London the ISE/Nikkei 50 index rose 3.41 to 1042.16.

Buying by public funds remained small, while foreigners were seen taking profits as a consequence of the higher yen. The currency weakened slightly against the dollar, easing pessimism over the effects on company profits of leading exporters, and the overall Japanese economy.

Investors targeted issues unaffected by currency rate fluctuations. Food shares firmed, with Ajinomoto gaining Y10 to Y1,320 and Takara Shuzo adding Y35 to Y720.

High-technology issues, which were sold off on concerns over lower profits due to the rise in the yen, rose on small-lot bargain hunting. Hitachi gained Y3 to Y730 and Toshiba advanced Y16 to Y570.

NEC, however, fell Y17 to Y690. Traders said that worries over the effects of sales of cheaper personal computers by Compaq, the US computer maker, in Japan, depressed the issue. NTT slipped Y20,000 to Y540,000. Investors were discouraged by reports that the company will postpone an increase in telephone rates.

Short term speculative issues remained active. Mitsui Mining & Smelting, the most active issue of the day, fell Y5 to Y505. In Osaka, the OSE average fell 249.19 to 18,768.41 in volume of 17.6m shares.

Roundup

THE region remained mixed yesterday.

HONG KONG was firmer on a technical rebound, traders said. The Hang Seng index closed up 23.4 at 5,528.84. Unconfirmed Japanese newspaper reports that the hardline Chinese communist leader, Chen Yun, was seriously ill were used as an excuse to buy after a weaker opening.

AUSTRALIA closed at an 18-month low although late bargain hunting helped the market off its intraday worst. The All Ordinaries index closed 12.9 down at 1,472.1 in turnover of A\$207.2m.

Westpac gained 1 cent to A\$2.86 on bargain hunting; this followed the resignation of directors after the bank's first half losses of A\$1.67bn and its undersubscribed rights issue.

BANGKOK was lifted by strong gains in bank, finance and property shares. The SET index gained 12.68 or 1.49 per cent at 859.68 in turnover of Bt12.7bn.

Krisda Mahanakorn, the property group, which has fallen sharply over the previous three days, hit its 10 per cent upward limit with a gain of Bt17 to Bt187.

NEW ZEALAND lost 1.6 per cent on weakness in the forestry sector. The NZSE-40 index ended down 22.54 at 1,406.91 as Fletcher Challenge shed 4 cents to NZ\$1.83 and Carter Holt Harvey fell 12 cents to NZ\$2.45.

KUALA LUMPUR extended its losses as the composite index dipped below the key 600-point level, closing down 4.18 at 598.10. Brokers said that investors remained cautious ahead of the Malaysian budget due later this month.

SEOUL fell for the fifth consecutive session but in low turnover. The index lost 5.06 to 508.76 in turnover of Won82.6bn.

MANILA was helped to a stronger close on foreign buying of selected blue chips. The composite index gained 13.57 to 1,418.11 in turnover of 557m pesos. PLDT gained 15 pesos to 995 pesos.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 30 1992								TUESDAY SEPTEMBER 29 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	124.14	−0.4	103.31	94.13	91.23	115.80	−0.1	4.22	124.70	104.48	94.31	92.32	115.95	153.68	124.14	153.54
Austria (19)	160.71	−0.7	133.75	121.86	118.11	118.06	−1.7	2.47	161.81	135.58	122.39	119.80	120.16	188.70	139.27	189.19
Belgium (42)	147.90	+1.3	123.08	112.13	108.68	106.50	+0.7	5.78	145.94	122.28	110.37	108.04	105.81	152.27	135.87	128.73
Canada (114)	117.10	−0.4	97.45	88.78	86.05	105.91	−1.0	3.34	117.82	98.55	88.96	87.08	107.02	142.12	117.10	135.98
Denmark (33)	208.42	+1.4	173.45	158.03	153.16	155.34	+0.7	1.84	205.46	172.15	155.40	152.11	154.25	273.94	196.78	258.97
Finland (15)	59.42	+5.1	49.45	45.05	43.67	55.74	+3.5	2.63	56.55	47.38	42.77	41.86	53.88	89.80	52.84	86.64
France (102)	160.79	+0.9	133.81	121.91	118.15	120.63	+0.3	3.73	159.29	133.47	120.47	117.92	120.31	168.75	148.06	144.56
Germany (64)	114.39	+0.8	95.20	86.75	84.06	84.06	+0.1	2.72	113.43	95.04	85.80	83.97	83.97	129.69	111.48	110.12
Hong Kong (53)	227.77	−1.6	189.55	172.70	167.39	225.84	−1.7	3.69	231.54	194.00	175.12	171.42	229.79	259.55	176.56	188.13
Ireland (16)	145.89	−0.2	121.41	110.62	107.21	110.70	−1.0	4.90	146.13	122.44	110.53	108.19	111.85	173.71	145.54	160.21
Italy (78)	51.44	−1.0	42.81	39.00	37.80	47.59	+1.6	4.38	51.96	43.54	39.30	38.47	46.85	80.86	49.25	74.11
Japan (473)	108.92	−2.0	90.64	82.58	80.05	82.56	−1.7	1.03	111.13	93.11	84.05	82.29	84.05	140.85	87.27	138.66
Malaysia (69)	250.08	+0.2	208.12	189.61	183.77	240.26	−0.2	2.72	249.68	209.20	188.83	184.84	240.69	250.65	212.49	198.04
Mexico (18)	1225.67	+2.4	1020.02	929.33	900.71	4162.29	+2.5	1.44	1196.46	1002.46	904.91	885.78	4082.45	1789.77	1185.84	1182.72
Netherland (25)	169.67	+0.6	141.20	128.65	124.69	123.32	+0.0	4.59	168.68	141.33	127.58	124.88	123.30	169.67	147.88	140.77
New Zealand (14)	40.73	−0.1	33.90	30.89	29.94	40.28	+0.0	5.49	40.79	34.18	30.85	30.20	40.29	48.52	40.73	47.43
Norway (22)	146.75	+2.4	122.13	111.27	107.84	114.43	+2.0	2.12	143.31	120.07	108.39	106.10	112.24	192.95	138.40	200.02
Singapore (38)	188.79	+0.7	157.11	143.15	138.73	138.33	+0.3	2.37	187.54	157.13	141.84	138.84	137.93	229.63	180.71	190.12
South Africa (61)	177.94	+1.1	148.09	134.92	130.76	157.15	+0.5	3.25	175.97	147.44	133.09	130.28	156.37	263.80	175.03	246.75
Spain (48)	119.59	+0.5	99.53	90.68	87.89	89.74	−0.1	6.82	119.03	99.73	90.03	88.12	89.88	161.72	115.94	155.11
Sweden (30)	165.37	+5.6	137.62	125.39	121.53	129.93	+4.7	3.17	156.62	131.23	118.46	115.96	124.05	200.28	156.39	189.33
Switzerland (60)	122.37	+0.6	101.84	92.79	89.94	93.73	−0.2	2.28	121.64	101.92	92.01	90.07	93.89	122.37	95.99	95.06
United Kingdom (228)	179.96	+0.2	149.76	136.43	132.23	149.76	−0.5	4.91	179.61	150.49	135.83	132.98	150.49	200.07	165.85	185.69
USA (522)	170.36	+0.3	141.77	129.18	125.20	170.36	+0.3	2.96	169.89	142.34	128.49	125.76	169.89	173.39	160.92	157.68
Europe (782)	144.53	+0.6	120.28	109.59	106.22	113.42	+0.0	4.16	143.70	120.40	108.68	106.39	113.40	158.88	138.52	144.11
Nordic (100)	153.34	+3.9	127.61	116.27	112.69	114.13	+3.1	2.63	147.59	123.66	111.63	109.28	110.69	188.52	147.25	187.34
Pacific Basin (715)	113.09	−1.8	94.11	85.75	83.11	87.72	−1.6	1.37	115.21	96.53	87.14	85.29	89.17	141.97	93.70	139.31
Euro – Pacific (1497)	125.81	−0.7	104.70	95.38	92.45	98.18	−0.9	2.67	126.73	106.18	95.84	93.82	99.05	145.21	113.80	141.56
North America (636)	167.05	+0.2	139.02	126.67	122.78	165.98	+0.2	3.00	166.63	139.61	126.04	123.39	165.61	170.49	158.70	156.27
Europe Ex. UK (554)	123.12	+0.9	102.46	93.37	90.50	93.41	+0.4	3.62	122.07	102.28	92.34	90.39	93.06	132.98	119.63	119.68
Pacific Ex. Japan (242)	154.02	−0.7	128.18	116.80	113.20	139.41	−0.7	3.78	155.15	130.00	117.37	114.88	140.43	175.31	149.00	145.70
World Ex. US (1690)	126.70	−0.7	105.44	96.07	93.11	100.10	−0.8	2.69	127.55	106.87	96.46	94.43	100.94	146.91	116.18	143.10
World Ex. UK (1984)	136.72	−0.3	113.78	103.67	100.48	118.83	−0.4	2.55	137.19	114.94	103.77	101.58	119.27	150.58	127.21	143.26
World Ex. So. Af. (2151)	140.29	−0.3	116.75	106.38	103.11	121.28	−0.4	2.80	140.71	117.90	106.43	104.18	121.75	153.05	130.04	146.30
World Ex. Japan (1739)	158.46	+0.3	131.88	120.16	116.47	144.20	+0.1	3.44	157.93	132.32	119.46	116.94	144.03	165.40	153.20	152.74
The World Index (2212)	140.46	−0.3	116.89	106.50	103.23	121.63	−0.4	2.81	140.86	118.02	106.54	104.29	122.09	153.70	130.86	146.95

Constituent change 1/10/92: Name changes: C Itoh & Co. to Itochu Corp. and Yuasa Battery to Yuasa Corp. (both Japan)
Latest prices were unavailable for this edition.